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United Nations Industrial Development Organization

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Industrial Development Board

Eleventh session
Vienna, 28 June - 2 July 1993
Item 6 (f) of the provisional agenda

JOINT UNITED NATIONS/UNIDO CONFERENCE SERVICE

Report by the Director-General

1. In its decision IDB.8/Dec.38 the Industrial Development Board recommended that any change in the present conference service arrangements for the Vienna-based organizations would need to be examined in the light of the efficiency, economy and quality of services it would bring. That position was endorsed by the General Conference in decision GC.4/Dec.28, which also requested the Director-General to continue consultations with the United Nations Office at Vienna (UNOV) and the International Atomic Energy Agency (IAEA) on the most efficient and cost-effective conference service arrangements at the Vienna International Centre and to report to the Industrial Development Board at its eleventh session on the conclusions of these consultations.

2. In subsequent consultations with IAEA, that organization reiterated its position that its translation and related documentation requirements are too specialized to be considered for common service arrangements.

3. In a letter dated 21 January 1993, the United Nations Under-Secretary-General for Administration and Management notified UNIDO formally of the United Nations' intention to terminate the joint conference service arrangements with UNIDO by the end of the 1994-1995 biennium. The UNIDO response to that notification included an indication of main issues to be resolved during preparation of a mutually-acceptable business plan for the transfer of administrative responsibility for conference services from UNIDO to UNOV. It was agreed that the two organizations would further study the options for such a plan and that the main responsibility for preparing the plan would rest with UNOV. UNIDO also reiterated its intention to seek the approval of its policy-making organs to the plan in order to facilitate its submission to the Advisory Committee on Administrative and Budgetary Questions by April 1994.

4. Upon receipt of the proposed business plan from UNOV the Secretariat intends to proceed with finalizing the cost analysis in order to present its conclusions and recommendations to the policy-making organs.

ACTION REQUIRED OF THE BOARD

5. The Board may wish to take note of the present report and to reaffirm that the future conference service arrangements should be oriented towards efficiency, economy and high quality of services.

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Eleventh session
Vienna, 28 June - 2 July 1993
Item 6 (g) of the provisional agenda

APPOINTMENT OF EXTERNAL AUDITOR

Candidatures for the appointment of an external auditor

Report by the Director-General

1. On the basis of recommendations by the Programme and Budget Committee and the Industrial Development Board, the General Conference by decision GC.1/Dec.34 appointed the Senior President of the Audit Office of Belgium as the External Auditor for UNIDO for a period of two years beginning on 1 July 1986 and subsequently (GC.2/Dec.28, GC.3/Dec.22 and GC.4/Dec.17) extended that appointment until 30 June 1994.

2. At its ninth session, in document PBC.9/12, the Programme and Budget Committee was informed that the Senior President of the Audit Office of Belgium would not be in a position to accept any further extension of the current appointment beyond 30 June 1994. The Committee was also informed that recommendations would have to be made to the General Conference for the appointment of an external auditor for a period of two years, beginning 1 July 1994, under the terms of reference specified in article XI (and annex) of the Financial Regulations of UNIDO. It was pointed out in that connection that the travel and other costs related to the work of the external auditor are to be borne by the UNIDO regular budget and that a provision of $294,300 (at 1993 rates) had been tentatively included for that purpose in the proposed regular budget for the biennium 1994-1995.

3. In its conclusion 93/8, the Programme and Budget Committee recommended to the Board to propose to the General Conference the appointment of an external auditor for UNIDO for a period of two years beginning on 1 July 1994, under the terms of reference specified in the Financial Regulations of UNIDO. It also invited all Member States interested in providing the services of an external auditor to inform the Director-General of such interest by 31 May 1993, so that he could bring it to the attention of the Board at its eleventh session.

4. As of 31 May 1993, the following candidatures had been received for the appointment of an external auditor:

Mr. C. G. SOMIAH
Comptroller and Auditor General of India

Mr. H. G. ZAVELBERG
President, Federal Court of Audit, Germany

The communications submitting the respective candidatures appear in the annex to the present report.

5. In the opinion of the Director-General, both the above candidates would be eminently well-qualified for the position of External Auditor of UNIDO.

ACTION REQUIRED BY THE BOARD

6. The Board may wish to recommend to the General Conference the appointment of one of the two candidatures as External Auditor for UNIDO for a period of two years beginning on 1 July 1994.

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Annex

COMMUNICATIONS CONCERNING CANDIDATURES FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR

A. Communication concerning the candidature of Mr. C. G. Somiah, Comptroller and Auditor General of India

No. VIEN/241/83/92

Permanent Mission of India
to the International
Organizations in Vienna

The Permanent Mission of India in Vienna presents its compliments to UNIDO and has the honour to refer to its note dated 26 April 1993 informing that the Government of India has nominated Mr. C. G. Somiah, Comptroller & Auditor General of India as its candidate for the post of External Auditor of UNIDO for the period 1994-96. In this connection the Permanent Mission of India has the honour to forward herewith a copy of a letter dated 14 May 1993 from the Comptroller & Auditor General of India formally confirming the candidature. The Curriculum Vitae of Mr. C. G. Somiah is also enclosed.

As mentioned earlier, the organisation of the Comptroller & Auditor General of India is well equipped, in terms of manpower and expertise to undertake this task, having over 10,000 well trained personnel, with over 130 years of experience covering a wide range of organizations including major public sector enterprises. The Office of the Comptroller & Auditor General of India also has a full fledged International Training Division for personnel of the Supreme Audit Institutions in developing countries, and over 770 personnel from 44 countries have benefited from these programmes.

From the above, it will be clear that the Comptroller & Auditor General of India is extremely well qualified to undertake the assignment as External Auditor of UNIDO, an assignment which has continuously been held by the developed countries since 1986. It would therefore be appropriate if the External Auditor of UNIDO were to be from a developing country, as UNIDO has its main objective, the promotion of industrial development in the developing countries.

The Permanent Mission of India has the honour to refer to the statement made by the delegation of India during the 9th Session of the Programme & Budget Committee as contained in document No. IDB.11/15 (page 8). The Permanent Mission of India would appreciate it if full details of the above candidature are circulated to the participating delegations at the 11th Session of the Industrial Development Board of UNIDO.

The Permanent Mission of India avails itself of this opportunity to renew to the United Nations Industrial Development Organization in Vienna the assurances of its highest consideration.

28 May 1993

[Stamp of the Permanent Mission of India]

United Nations Industrial Development Organization
UNIDO
VIC

Comptroller and Auditor General of India
10, Bahadur Shah Zafar Marg.
New Delhi 110002

14 May 1993

Excellency,

I have the honour to confirm that the Office of the Comptroller and Auditor General of India is interested in the assignment of the External Auditor of UNIDO for the 2 year period commencing from June 1994. The Government of India has already formally informed UNIDO and has made a statement to this effect at the recently concluded 9th Session of the Programme and Budget Committee of UNIDO. We understand that the matter will be further considered by the Industrial Development Board at its next session.

In seeking the assignment of the External Auditor of UNIDO I would like to assure you that my organization has the requisite technical expertise and capability to undertake this task to the full satisfaction of UNIDO and its Member States. Full details of the organizational structure, background and experience of the Comptroller and Auditor General of India are contained in Annexure I & II.* Annexure III contains a description of the background and experience of the personnel who would be assigned for the purpose of audit of UNIDO.

With a long experience of over 130 years and a large reservoir of highly trained personnel my organization is very well qualified to undertake the work of external audit of UNIDO. In the international field, we have provided training to over 775 officials from 44 countries and have played a very active role in international and regional associations of Supreme Audit Institutions and their activities. Starting from July 1993, we would also be carrying-out the audit of UN Headquarters in New York, as a member of the Board of Auditors of the UN. We have also provided audit services in the past to international organizations such as South Asian Association for Regional Cooperation and International Monetary Fund.

For the external audit of UNIDO we would assign a well-qualified and experienced team of 4-6 auditors who would function in close cooperation with the relevant branches of UNIDO. While undertaking the process of auditing, our team would also endeavour to find ways and means whereby UNIDO could not only save resources but utilize them most efficiently in order to best serve the interests of UNIDO and its Member States. We look forward to working together with UNIDO to the satisfaction of all concerned.

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* Note by the Secretariat of UNIDO: For technical reasons, annexures I and II have been combined.

With assurances of highest consideration and regards.

Yours sincerely,

(C. G. Somiah)
Comptroller & Auditor
General of India

Mr. M. de Maria y Campos
Director-General of UNIDO
UNIDO, VIC

Annexures I and II
(combined)

COMPTROLLER AND AUDITOR GENERAL OF INDIA

Position and Status

The Comptroller and Auditor General of India is the head of the Indian Audit and Accounts Department which has a history of over a century. He occupies a unique position as a common functionary for both the Union and the States in India. He is appointed by the President of India by warrant under his hand and seal. His oath of office requires him to uphold the constitution and the laws. His salary and conditions of his service are on par with those of a Judge of the Supreme Court of India. His independence is fully secured by constitutional provisions.

Role and functions

As the most important instrument of accountability, the Comptroller and Auditor General of India has a combination of accounting and auditing functions. He is responsible for the compilation of the accounts of the States and auditing the accounts of both the Union and the States as well as of a large number of bodies and authorities owned, controlled or financed by governments. He ensures uniformity of accounting and auditing standards for the Union and State governments. The accounts of the Union and of the States are kept in the form prescribed by the President on his advice. The detailed accounting rules are required to be made only after consultation with him. He has the sole discretion in determining the scope and extent of audit, and in reporting on the results of audit.

Evolution of Audit

After independence, there has been a tremendous spurt in economic development and social welfare activities with the attendant increase in expenditure - revenue and capital - and in receipts and borrowings to match the expenditure. The change in the character of government and the complex nature of its activities called for a change in the nature and scope of audit. Audit has evolved from mere accounting and regularity check to evaluation of the systems and the end results of the operations of government, testing their economy, efficiency and effectiveness.

Audit Jurisdiction

The organisations subject to the audit of the Comptroller and Auditor General of India are:

- All the Union and State government departments and offices including Indian overseas missions and other establishments.
- About 1300 public commercial enterprises controlled by the Union and State governments i.e. government companies and corporations.
- Around 300 non-commercial autonomous bodies and authorities owned or controlled by the Union or the States.
- Over 2300 authorities and bodies substantially financed from Union or State revenues.

Audit Reports

Apart from the certification of the Appropriation Accounts and Finance Accounts of the Union and of 25 States and submission of separate Audit Reports on about 260 Statutory Corporations and other autonomous bodies for which he is the sole auditor, the Comptroller and Auditor General brings out a large number of Reports relating to the Union Government and the State Governments. These Reports incorporate important audit findings and performance reviews of systems, projects and programmes and comprehensive appraisals of public enterprises and other bodies and authorities. In all about 100 Reports are laid before the Parliament and State Legislatures concerned, every year.

In addition, the Comptroller and Auditor General has the responsibility to audit and certify the accounts of projects funded by foreign governments and international agencies such as the U.K., Japan, Denmark, USAID, World Bank, Asian Development Bank, UN Fund for population activities, etc.

Organisation

The Comptroller and Auditor General of India discharges his multifarious duties through the Indian Audit and Accounts Department. The Department today has 104 specialised formations with a staff strength of about 60,000 spread over the length and breadth of the country as well as two overseas offices located in London and Washington.

Office of the Comptroller and
Auditor General of India

(Policy Decisions, Direction,
Monitoring and Control)

Audit Union Sector	Audit State Sector	Accounts States	Training
(35)	(34)	(26)	(9)

Personnel and Training

The basic level audit and accounts personnel are given rigorous induction training and equipped with the expertise for their work on passing a departmental examination. For their upgradation, the department also organises higher level professional training and qualifying examinations in various branches of accounts and audit. Further, 8 Regional Training Institutes located in various regions of the country conduct a large number of refresher and specialisation courses. Technical manuals and guides which are periodically updated, and Audit Bulletin and Journal of Management and Training which are brought out quarterly keep the personnel abreast of the latest developments in the field of finance, accounting and auditing.

For the effective management of the manpower and other resources of the department, and the accounting and auditing work, the department deploys officers belonging to one of the premier civil services in the country known as the Indian Audit and Accounts Service to which they are initially appointed either on direct recruitment through the Union Public Service Commission or on promotion from within the department. The officers directly recruited to the service are exposed to a foundational course at the National Academy of Administration, and imparted professional training - theoretical and practical - in the National Academy of Audit and Accounts as well as in the field formations of the department for a period of 2 years during which they qualify in two professional examinations conducted by the department. The officers promoted to the service also go through an intensive orientation course.

The officers are drawn from diverse academic and professional disciplines such as financial management, accountancy, costing, law, engineering, economics and so on. Quite a few of them have excellent exposure to information technology. The officers attend specially designed executive development and management development programmes at suitable intervals. They are deputed to a variety of studies and training relevant to the work in the department organised by other institutions within and outside the country. They are also placed on secondment to Union/State governments. The experience thus gained is of great help in the discharge of audit functions. Conferences and Workshops participated in by senior officers are held periodically to discuss the problems faced in the department and to find solutions to them.

International Training Centre

Audit standards, methodologies and practices in India have been well-evolved and have received world-wide recognition. In order to share the experiences with other sister institutions, the Comptroller and Auditor General of India has established an International Training Center in his office in New Delhi which organises a number of training programmes for the Supreme Audit Institutions of the African, Asian and Pacific regions on a variety of audit themes. So far (up to April 1993), 775 officials from 44 countries have participated in these programmes.

External Relations

In the field of government audit India occupies a pre-eminent position. The Comptroller and Auditors General of India has taken a leading part in the international and regional associations of Supreme Audit Institutions and their seminars and conferences. The VII Conference of Commonwealth Auditors General was hosted in New Delhi during 1969. The Comptroller and Auditor General of India being a charter member of the Asian Organisation of Supreme Audit Institutions (ASOSAI), its inaugural Assembly was organised in New Delhi during 1979 and he was its chairman for a three year term, 1979 to 1982. He continues to be on its Governing Board since its inception. The Asian Journal of Government Audit is being brought out from India. In the ASOSAI research projects on 'Accountability and Control of Public Enterprises' and 'Financial Accountability and Management in Government' India participated as part of the three-member research team. India would host the ASOSAI 6th Assembly and 5th International Seminar in 1994 whereafter the Comptroller and Auditor General of India would again be the Chairman of the ASOSAI for a three-year term.

Comptroller and Auditors General have also been active members of the International Organisation of Supreme Audit Institutions (INTOSAI). Significant contributions have been made to the INTOSAI Development Initiative (IDI). The IDI Training Managers Workshop and the IDI Audit Testing Workshop were successfully organised in New Delhi in 1988 and 1991 with organisational as well as faculty support. Lecturers have also been provided for the various UN/INTOSAI Seminars.

Recently, the Comptroller and Auditor General of India had the honour of contributing the theme paper on "Examining Public Enterprises: Changing Approaches and Techniques" for the XIV International Congress of Supreme Audit Institutions held in Washington DC during October 1992, and helped to structure the discussion in the Congress and shape the conclusions and recommendations to guide the audit in this sector. He has also the privilege of heading the newly constituted INTOSAI Standing Committee on EDP Audit. Austria, Barbados, Canada, Ecuador, France, Japan, Kiribati, Kuwait, Sweden, United Kingdom and Zimbabwe are represented in this Committee as members. Cuba and Russian Federation have also opted to join this Committee. The Committee will support the Supreme Audit Institutions in developing their knowledge and skills in the use and audit of information technology by providing facilities for exchange of experiences, and encouraging bilateral and regional cooperation. A three-day Technology Symposium, which was opened and conducted by the Comptroller and Auditor General of India in Washington DC provided the delegates with an opportunity to share experiences in integrating the technology into the audit environment and meet with experts in this field.

For the first time the candidature of the Comptroller and Auditor General of India for election to the UN Board of Auditors was announced by the Government of India in June, 1992 and on his election, he was appointed by the General Assembly as a member of the Board of Auditors for

a three-year term commencing from 1st July, 1993. The Board of Auditors is responsible for the audit of the UN and other organisations established by the General Assembly. Earlier, the audit of International Organisations such as International Monetary Fund, INTOSAI and South Asian Association for Regional Co-operation (SAARC) has been done by senior Audit Officials deputed by the Comptroller and Auditor General of India.

Annexure III

PROFILE OF INDIAN AUDIT AND ACCOUNTS SERVICE OFFICERS WHO WOULD BE ASSIGNED AUDIT OF UNIDO

The Indian Audit and Accounts Service is a premier financial Civil Service of the Government of India. Officers of this service will be deployed by SAI India for the audit of UNIDO. These officers would have undergone a two year intensive training course, covering the subjects detailed in the annexure. The standard of training is comparable with the training requirements of a Chartered/Public Accountant.

These officers would have at least ten years experience in planning and executing financial and performance audit in the following areas:

- Projects in the social and economic services sector;
- Commercial undertaking, including Industrial Development Corporations set up by state governments. These industrial corporations assist in promoting and accelerating industrial development in the states;
- Audit of grants, loans and advances;
- Public works and projects, including railway operations;
- Taxation Audit;

Additionally, these officers would be competent in the following areas:

- Use of personal computers and related softwares;
- Computer Assisted Audit Techniques like general and special purpose interrogation softwares;
- Statistical Sampling Techniques.

BIO DATA OF MR. C. G. SOMIAH, COMPTROLLER & AUDITOR GENERAL OF INDIA

Mr. C. G. Somiah (born 11.3.1931) took his B.Sc. (Hons) Chemistry from Loyola College, Madras University. After a brief stint as a faculty of the college, Shri Somiah joined the Indian Administrative Service in 1953 and was allotted to the Orissa State Cadre. He held various assignments under the State Government such as Commissioner, Commercial Taxes; Director of Industries; Additional Secretary, Finance; Secretary, Cooperation and Forestry; and Secretary, Home. In between these assignments, he also served under the Central Government in different capacities with emphasis on Finance.

Mr. Somiah became Secretary, Department of Company Affairs, Government of India in 1983. He moved over as Secretary, Planning Commission in which capacity he had the responsibility to advise the Central Government in the formulation of the country's Seventh Five Year Plan and also in deciding the allocation of financial resources for the various State Governments. Later Mr. Somiah became the Home Secretary, an important assignment. In October 1988, he was appointed as the Central Vigilance Commissioner, the country's highest authority to advise about action to be taken against civil servants guilty of corrupt practices. He was sworn in as Comptroller and Auditor General of India, which is a constitutional appointment, on 27.3.1990.

The General Assembly of the United Nations, at its 94th plenary meeting on 23rd December 1992, decided to appoint Shri C.G. Somiah as Member of the United Nations Board of Auditors for a 3 year term of office, commencing from 1 July 1993. Shri C.G. Somiah was selected as Chairman of the newly constituted International Organisation of Supreme Audit Institutions (INTOSAI) Standing Committee on EDP Audit in October 1992. This is a pioneering Committee.

Mr. Somiah is a keen sportsman and has won a number of trophies in tennis, badminton and bridge tournaments. He won the South India Junior Tennis Championship in 1948, All Orissa Tennis Championship in 1956, and All Orissa Badminton Championship in 1956.

Mr. Somiah has travelled abroad both officially and privately. He did his sabbatical at Oxford University in 1974-1975, having been awarded the Queen Elizabeth Fellowship.

B. Communication concerning the candidature of Mr. H. G. Zavelberg, President, Federal Court of Audit, Germany

Permanent Mission of the Federal Republic of Germany to the Office of the United Nations and to the other international organizations in Vienna

Verbal Note

The Permanent Mission of the Federal Republic of Germany to the Office of the United Nations and to the other International Organizations, Vienna, presents its compliments to the United Nations Industrial Development Organization and has the honour to communicate that the Government of the Federal Republic of Germany has nominated Dr. Heinz Günter ZAVELBERG, President of the Federal Court of Audit (FCA), as its candidate for the post of the External Auditor of UNIDO for the biennium 1994-1996. The matter will be considered at the eleventh session of the Industrial Development Board (IDB) of UNIDO, Vienna, commencing on 28 June 1993.

The President of the FCA served as one of the three members of the United Nations Board of Auditors from 1989 to 1992. Seventeen FCA auditors assisted him in performing the relevant duties. He presented his final report on the audit of the United Nations to the German Parliament on 30 December 1992. The audit mandate covered the examination of the annual accounts and financial management of the United Nations as well as a number of UN specialized agencies, e.g. the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the International Trade Centre (ITC), and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). The audit mission involved the collection of data at field offices and at UN development project locations all over the world.

The Curriculum Vitae of Dr. Zavelberg is attached hereto.* The FCA's formal offer of services, outlining its role as Germany's supreme audit institution, its broad range of national and international audit experience, its highly professional staff resources, and its proposed strategy for fulfilling the UNIDO audit mandate, will be submitted to UNIDO in early June.**

The Permanent Mission of the Federal Republic of Germany to the Office of the United Nations and to the other International Organizations, Vienna, avails itself of this opportunity to renew to the United Nations Industrial Development Organization the assurances of its highest consideration.

Vienna, 28 May 1993
Pz/ku

[Stamp]

To the
United Nations Industrial
Development Organization
UNIDO
Vienna International Centre
1400 Vienna

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* Appendix A to the present communication.

** Note by the UNIDO Secretariat: Subsequently received and attached as appendix B to the present communication.

Appendix A

CURRICULUM VITAE

Dr. Heinz Günter ZAVELBERG
President
Federal Court of Audit
Berliner Strasse 51
D-W 6000 Frankfurt am Main 1
Federal Republic of Germany

Born 16 October 1928 in Brühl (Rhineland)

1948-1956	Law studies, doctor's degree
1956-1962	Judge in the judicial district of the Higher Regional Court of Cologne
1962-1970	Federal Ministry of Finance Budgetary Division Head of the section for medium- and long-term financial planning and budgetary policy, leading role in elaborating and establishing principles for "medium-term financial policy", which has since then become an integral part of Federal financial policy
1970-1982	Financial Adviser to a big parliamentary party in the German Bundestag
1982-1983	Head of a directorate at the Federal Ministry of Finance (responsible for development aid and defence)
1983-1985	Vice-President of the German Federal Court of Audit
Since November 1985	President of the German Federal Court of Audit Further functions: - Federal Commissioner for Efficiency in Public Administration; - Chairman of the Federal Staff Committee; - Chairman of the Federal Debt Committee
1989-1992	Chairman of the International Organization of Supreme Audit Instititions (INTOSAI)
1989-1992	Member of the United Nations Board of Audit Member of the Board of the German section of the International Institute of Administrative Sciences

Appendix B

PURPOSE OF THIS PRESENTATION

To offer the Services of the Federal Court of Audit as External Auditor of UNIDO.

This paper is to show why the German Federal Court of Audit (FCA) considers itself a suitable candidate for the office of UNIDO's External Auditor. It outlines the FCA's role as Germany's Supreme Audit institution, its broad range of national and international audit experience, its highly professional staff resources, and our proposed strategy for fulfilling the UNIDO audit mandate.

AN FCA PROFILE

Historical background and current role of the FCA

Government audit in Germany can look back to a track record of nearly 280 years. When Prussian King Frederic William I established the Prussian General Chamber of Accounts in 1714, this was the starting point for the development of independent government auditing in Germany.

Today, the FCA has the status of a supreme federal authority, i.e., it is equal in rank to a Federal Government ministry. It is an independent institution of government audit, subject only to the law. It is not a part of the Federal Government and does not have to take any instructions from either the Executive Branch or the Legislature.

The FCA's staff totals almost 700. It is divided into nine divisions and 55 audit sections. Administrative functions are discharged by a Presidential Division. The FCA's auditors all have a university or other higher education degree. In some cases, the respective degrees have been awarded on the basis of training within the public administration. The professional qualifications found within the FCA's human resource pool range from public administration and law via various engineering specialities to economics, management and computer science. All auditors have a record of several years of practical working experience in at least one government department or agency. This highly proficient workforce provides the FCA with a sound basis for auditing international organizations.

National audit mandate

The FCA audits

- the financial management of the Federation,
- federal trading services,
- public bodies incorporated under federal law,
- social security institutions incorporated under federal law or state law, and
- the management of federal government shareholdings in private sector enterprises.

Reporting by the FCA

The FCA submits annual reports on its audit findings to both chambers of the federal legislature and to the Federal Government. In addition to annual reporting, the FCA may at any time report on matters of particular significance.

Advisory role

While the FCA conducts ex post audits addressing past decisions, it also uses the audit findings as a basis for advising the audited government departments and agencies, and also Parliament, on decisions to be taken, notably in connection with budgeting. This advisory function has become increasingly important over the last decade.

AUDIT CRITERIA APPLIED BY THE FCA

Performance audit

In Germany, the emphasis of government auditing has shifted over time. Formerly, the work of government auditors centred on ex post financial audit work. The additional audit criterion of performance was imposed by statute decades ago, so that performance audit is now predominant in the FCA's work.

Performance audit is supplemented by the audit of regularity and compliance, where government operations are checked against supporting documents, applicable statutory provisions, rules and regulations.

Timely audit

The FCA's timely audit approach seeks to develop audit findings helping to enhance future action rather than merely criticising past deficiencies. FCA auditors do not only look into the figures of an account or into individual revenue or expenditure items but also into the underlying operations and programmes. This operational audit of the Federal Government's overall financial management increases timeliness and topicality. It addresses entirely new audit subjects. It includes examinations into the structure, operations and human resources management of departments and agencies, effectiveness and efficiency audits, and risk analyses in respect of the assumptions underlying decisions. The FCA uses the audit findings generated as a basis for advising Parliament and the Government. In many reports, the FCA presents the lessons learned from earlier audit exercises in order to provide an insight into current issues and problems of financial management.

THE FCA'S TRACK RECORD AS EXTERNAL AUDITOR OF INTERNATIONAL ORGANIZATIONS

Vast experience gained in the audit of the United Nations

The President of the FCA served as one of the three members of the United Nations Board of Auditors from 1989 to 1992. Seventeen FCA auditors assisted him in performing the relevant duties. The audit mandate covered the examinations of the annual accounts and financial management of the United Nations and some United Nations organizations, e.g., the United Nations Development Programme (UNDP), the United Nations Fund for Population Activities (UNFPA), the International Trade Centre (ITC), and the United Nations Relief and Works Agency (UNRWA). The audit mission involved the collection of evidence at field offices and at United Nations development project locations all over the world.

The FCA President was asked to continue to serve on the United Nations Board of Auditors beyond 1992. However, the unification of Germany increased the FCA's workload, as new audit issues, e.g., privatization, arose, and as new staff from the former GDR had to be integrated into the FCA workforce. As a result, the FCA President was unable to continue the considerable task of auditing the United Nations. Nevertheless, he expressed his readiness to audit a United Nations specialized agency.

Other international audit missions

In recent years, the FCA has participated in the audit of the European Space Agency (ESA), the Western European Union (WEU), the European Organization for Nuclear Research (CERN), the European Centre for Medium-Term Weather Forecasting (ECMWF), the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT), the Franco-German Research Centre St. Louis (ISL), the European Organization for the Safety of Air Navigation (EUROCONTROL), the European Patent Office, the Organization for Economic Cooperation and Development (OECD), and the Franco-German and Polish-German youth foundations. Moreover, FCA staff is seconded to the International Board of Auditors for NATO and to the European Communities Court of Auditors.

INTOSAI/EUROSAI

The FCA is a member of the International Organization of Supreme Audit Institutions (INTOSAI), to which the supreme audit institutions and most United Nations Member countries are affiliated. The FCA hosted INTOSAI's 13th World Congress held in Berlin in 1989, with participants from more than 130 nations and international organizations. The FCA President served as Chairman of INTOSAI's Governing Board from 1989 to 1992. In addition, the FCA is a member of INTOSAI's European regional working group, the European Organization of Supreme Audit Institutions (EUROSAI).

Developing countries

For many years, the FCA has participated in international training courses for auditors from developing countries. These seminars are organized by the Berlin-based German Foundation for International Development.

MEETING UNIDO'S AUDIT REQUIREMENTS

In its audit of UNIDO, the FCA will make available the experience and expertise gained through its national and international audit work.

The FCA's audit approach

The FCA will conduct the audit in accordance with best audit practice.

The FCA will plan, prepare, conduct and report on the audit exercises in compliance with internationally accepted standards. It will be guided in its audit work by a cooperative attitude towards UNIDO's management and internal auditors.

OUR AUDIT STRATEGY FOR UNIDO

Staff

The FCA will provide an internationally experienced team of six auditors mainly drawn from among FCA staff who participated in the United Nations audit. The team will be led by an Audit Manager chosen by the FCA President. The team will be able to work in German, English and French. Whenever necessary the audit team may draw on the vast specialist knowledge available within the FCA in fields such as personnel management, EDP and cost benefit analysis.

Financial audit

Similar to the practice followed during our participation in the audit of the United Nations, financial audits will be performed with the assistance of private-sector auditing firms, where appropriate. The audit will be conducted in compliance with UNIDO's Financial Regulations.

Performance audit

The first step in conducting a performance audit is to gain an idea of the audit subject. As a result of discussions with responsible officials and the collection of audit evidence on the premises of functional and programme management units, additional audit subjects may emerge. On completion of this stage, we will draw up a precise audit programme for all performance audits to be carried out during the total audit period, including a precise timetable and an assessment of the materiality and audit risk.

Internal audit

We will examine the work and audit aproach of UNIDO's internal audit unit, and, to the extent possible, will use the information provided by it as a basis for our audit work. Where possible and appropriate, we might consider the participation of UNIDO internal auditors in our work.

Audit standards

We will carry out the audit of UNIDO in accordance with internationally accepted audit standards, especially those of the Panel of External Auditors of the United Nations.

Reporting

Any findings of special significance generated in the course of our financial and performance audits will be reported to the Board. Additionally, we will inform the management of any relevant details that come to our attention, this providing advice on how to improve UNIDO's day-to-day work.

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Industrial Development Board

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Item 6 (h) of the provisional agenda

ELECTRONIC DATA-PROCESSING PROGRAMME

Report by the Director-General

Addendum

Summary

Updates to 31 May 1993 the information provided in document PBC.9/6, in compliance with General Conference decision GC.4/Dec.18, paragraph (h).

The table overleaf, reflecting the cost of 1992-1993 implementation of the electronic data-processing programme as at 31 May 1993, represents an update of annex III to document PBC.9/6. Annexes I, II and IV to that document remain valid, since no relevant developments have occurred since that time.

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Annex III

COST OF 1992-1993 BIENNIUM IMPLEMENTATION FOR THE EDP PROGRAMME, AS AT 31 MAY 1993

(In US dollars at US$ 1 = AS 12.90)

	1992-1993 allotments (1)	Disbursements 01/01/92-31/05/93 (2)	Obligations (3)	Expenditure (2 + 3) (4)	Balance (1 - 4) (5)
Staff costs	4,082,700	2,693,209	16,874	2,710,083	1,372,617
Income	(286,400)	(205,751)	-	(205,751)	(80,649)
Mainframe					
Hardware	1,706,400	1,201,686	451,628	1,653,314	53,086
Software	1,461,200	1,026,491	348,504	1,374,995	86,205
Operation and maintenance	2,163,400	2,163,361	-	2,163,361	39
Office automation					
Hardware	978,500	646,304	214,149	860,453	118,047
Software	149,500	102,324	15,946	118,270	31,230
Maintenance	690,400	457,616	135,832	593,448	96,952
Other					
Supplies and materials	454,300	138,537	164,912	303,449	150,851
Network	420,400	125,301	56,191	181,492	238,908
External computer costs	41,300	18,040	5,583	23,623	17,677
Training	308,100	192,218	87,905	280,123	27,977
Consultancy support	234,000	76,368	-	76,368	157,632
Software development	77,500	51,464	608	52,072	25,428
Printing and reproduction	300	164	-	164	136
Income	(340,000)	(177,551)	-	(177,551)	(162,449)
TOTAL	12,141,600	8,509,781	1,498,132	10,007,913	2,133,687

Notes:

1. Allotments represent the 1992-1993 biennium appropriations excluding inflation on non-staff costs.
2. Obligations include contractual commitments for 1992 and 1993.

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UNIDO ACTIVITIES IN THE FIELD OF RESTRUCTURING, INCLUDING PRIVATIZATION

Report by the Director-General

Summary

Reviews recent trends in restructuring and privatization and provides information on UNIDO activities, ongoing as well as planned, in that area.

CONTENTS

	Paragraphs	Page
Introduction	1	1
Chapter		
I. RESTRUCTURING AND PRIVATIZATION	2 - 11	1
II. PAST AND CURRENT UNIDO ACTIVITIES	12 - 23	2
III. ACTIVITIES FOR THE 1994-1995 BIENNIUM	24 - 30	4
IV. ACTION REQUIRED OF THE BOARD	31	4

Introduction

1. The present document on restructuring, including privatization, is submitted at the request of the Government of India. The growing importance of this aspect of economic development has been highlighted in United Nations General Assembly resolutions 45/188 and 46/166 on entrepreneurship and 47/171 on privatization in the context of economic restructuring. The role of the private sector in industrial development has been briefly touched upon by the Special Advisory Group to the Director-General of UNIDO on specific activities of the Organization (GC.3/25, para. 21; GC.4/22, para. 8; GC.4/23, para. 6).

I. RESTRUCTURING AND PRIVATIZATION

2. In the aftermath of independence, a majority of developing countries aimed first and foremost at meeting the basic needs of their population, such as food, clothing, housing, education and health. Faced with balance-of-payments liabilities and foreign exchange shortages, they essentially turned to import-substitution strategies and focused on a limited range of industrial production areas.

3. In the absence of a dynamic industrial entrepreneurship, and failing altogether to set up a business environment conducive to its emergence, most Governments intervened massively in the production sphere to the extent of acting as the largest investors and managers, with often poor results to be observed two or three decades later. Thus, the public sector assumed the twin functions of an industrial investor, on the one hand, and of the regulator establishing and enforcing the rules for industrial development, on the other.

4. The last decade saw the implementation, in most developing countries, of far-reaching reforms at the economic, political and social levels geared towards significant liberalization. From the economic point of view, the efforts made towards increased openness and transparency triggered a radical adjustment process of domestic structural patterns with often dramatic effects on a country's industrialization endeavours. The cornerstone of these reform programmes has been to achieve a transparent price system that reveals

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the economic value of goods and services. This entails, among other factors, less entry barriers and price controls, more realistic exchange and interest rates.

5. Concomitantly, there has been a powerful trend on the global scene and in the various developing regions for the private sector in general and private industrial enterprises in particular to assume a growing, and indeed leading, role in economic and industrial restructuring efforts. Many Governments - disenchanted with the limited growth dynamics generated by public sector-led industrial development - have turned to stimulating private initiative through far-reaching deregulation and privatization programmes. In industrial restructuring programmes, increased reliance has been placed on market forces within an environment of stronger competition in final product markets, input markets and financial markets. As part of this overall process, import protection has generally declined and many restrictions on foreign direct investment have been lifted.

6. Those trends are reflected in above-average growth rates for private investment in most developing countries. In the second half of the 1980s, the rebound of private investment was stronger than the recovery of gross domestic investment, implying a shift within total investment in favour of private sector capital formation.

7. At the same time, the increased role of the private sector in industrial development does not imply that government policy is becoming redundant or that it is becoming less important than in the past. On the contrary, a strong and efficient Government capable of designing, implementing and enforcing a consistent set of industrial policies is a sine qua non if the private sector is to prosper in a stable framework. Reliance on markets, competition and private initiative is not to be equated with a "laissez-faire" economy, and Governments will continue to play an important, though different, role.

8. In addition to creating the required infrastructure and a stable macroeconomic framework through appropriate monetary and fiscal policies, Governments can make important contributions to industrial restructuring by stimulating technological innovation and enhancing industrial efficiency and competitiveness. Indeed, international competitiveness is no longer just a micro-level phenomenon; today it is as much determined at the sectoral and national levels as it is at the company level.

9. Prominent among the instruments usually deployed to foster an effective industrial restructuring process is privatization. In general terms, privatization is understood as the transfer of ownership and control of an enterprise or activity from the public to the private sector. Privatization thus comprises the outright or partial sale (including corporatization) of state holdings to private sector interests as well as the contracting out or granting of operating concessions to private business including management, leasing and franchising arrangements. Moreover, the charging of market prices instead of fees for publicly supplied goods and services in a broader sense is sometimes being referred to as financial privatization.

10. Thus, privatization includes not merely divestment, but a whole range of modalities for transferring the production of goods and services from the public to the private sector, as well as the policy and institutional actions and framework needed to implement a programme of such transfers, and future reliance on private industry. Where privatization is merely the transfer of one or a small group of enterprises to the private sector, and where the legislation and policies are in place, privatization is a technical task that can be handled by accountants, merchant bankers and attorneys specializing in corporate law.

11. However, for many countries privatization is an immensely more complex task. Such countries have public sectors that are large, important parts of their economies, and where privatization carries huge risks: financially, economically, socially, culturally and politically. For those countries, privatization is difficult and requires skills and experience that are in short supply within the country. In countries with large public sectors, a privatization programme will often require external support in the broad areas of policy and strategy, institutional and enterprise level.

II. PAST AND CURRENT UNIDO ACTIVITIES

12. Restructuring has been one of the areas of UNIDO technical cooperation activities for the last two decades and relevant experience has been accumulated. Privatization, however, has been included in the UNIDO programme and budgets only since the biennum 1990-1991, after the subject started to gain importance in the late 1980s, particularly following the dismantling of the centrally planned economies in Central and Eastern Europe and the concomitant political and economic changes world-wide.

13. Preparation for a programme on privatization began in November 1989, when a framework for privatization was prepared and submitted for consideration by representatives from 20 developing countries at a workshop held in Vienna. As a result of the workshop, it was decided to initiate a full-scale privatization programme within UNIDO. Strategies on privatization were elaborated within the Institutional Infrastructure Branch and technical cooperation activities commenced in 1990. Over the past three years UNIDO has undertaken a number of activities including organizing and conducting workshops, undertaking diagnostic missions, and backstopping technical cooperation projects in privatization. A first report on activities for the development of the private sector was included in the Annual Report of UNIDO, 1991 (ID8.9/10, chap. IV, paras. 48-56).

14. The UNIDO approach is to maintain a comprehensive and integrated modular capability for industrial restructuring and privatization, to respond to the specific needs of each country. In other words, UNIDO can provide specific assistance, if required, but can also backstop large multidisciplinary projects. As a multidisciplinary process, privatization involves many different functions and activities. UNIDO is in a good position to provide such complex assistance in privatization, given the Organization's wide range of industrial activities. Above all, UNIDO seeks to place the privatization issue in the broader

context of private sector development in which privatization per se is just one of many dimensions involved. It is important to recognize the complementarity of: (a) privatizing existing industries and (b) promoting new private industrial investment at the same time. A brief review of the increasing role of the private sector in industrial development in Asian developing countries and the implications for UNIDO's role has been recently issued (Regional and Country Studies Branch, PPD.238(SPEC.)).

15. At the policy and strategy level, UNIDO provides assistance to develop policies that will guide privatization in the context of national industrial restructuring. In line with the world-wide trend towards market economies and increased liberalization, alternative development scenarios have been mapped out to fully exploit the countries' existing and potential comparative advantages and adjust manufacturing patterns towards an efficient insertion into the global market. These scenarios will determine the types of privatization to be pursued, the role of foreign investors, the criteria for selecting enterprises to be privatized, and conditions of sale. Appropriate legislation is an important component at this level. Based on known government policies and objectives, UNIDO can assist in preparing a privatization strategy and work plan. In fact, many technical cooperation activities related to strategies and policies have concentrated on the industrial restructuring process (IDB.11/10, chap. V, paras. 75, 79). The Governments of such diverse countries as Albania, Bhutan, Cyprus, Malaysia and Papua New Guinea, to name but a few, were assisted in formulating industrial strategies and policies.

16. Further policy-level activities of UNIDO related to privatization include assistance in the formulation of a privatization strategy in Poland (IDB.11/10, chap. V, para. 104), as well as proposals for large-scale technical cooperation projects in Angola and Ethiopia. Assistance at all levels, but particularly at the policy and strategy levels, comes from workshops that UNIDO organizes and/or participates in, such as a workshop recently organized and conducted to review the results of economic policies in Eastern Europe and the Commonwealth of Independent States countries; a number of workshops conducted by UNIDO in privatization-related activities including the workshop on technical cooperation for privatization held at Istanbul, Turkey (November 1992), co-sponsored workshops on privatization in Russia, convened in Moscow, Russian Federation (with the Russian Fund for Federal Property), the seminar on industrial restructuring in East European countries (Vienna, October 1992) and the workshop on privatization at Tashkent, Uzbekistan. At the Tashkent workshop held in February 1993, representatives from the International Labour Organisation, the United Nations Department of Economic and Social Development and the United Nations Development Programme (UNDP) were invited by UNIDO to help initiate the United Nations programme in Uzbekistan. Finally, in June 1993, UNIDO is organizing a workshop on privatization for African least developed countries.

17. At the institutional level, Governments require the ability to design, initiate and supervise privatization of enterprises, and to carry out other activities that support the process. This calls for government staff with the skills required to undertake those activities and for assistance to develop the organizational structure, specific policies and procedures as well as supporting legal documents, guidelines, checklists and manuals.

18. UNIDO assistance at the institutional level emphasizes the training of government staff to undertake those functions, the reform of the administrative machinery of government and the provision of external advisers for specialized areas. Through its Institutional Infrastructure Branch, UNIDO has provided such assistance, in cooperation occasionally with the Industrial Management and Rehabilitation Branch, as in Albania, Angola, Egypt, Ethiopia and Poland.

19. In Albania, missions carried out in 1991 and 1992 by UNIDO staff and consultants reviewed the institutional setting for privatization, and made recommendations on the organizational structure for privatization, including a plan for training assistance, which was submitted by UNDP to the Donors' Group meeting for Albania. A project aimed at strengthening the capabilities of the ministries dealing with enterprises in Albania as well as the valuation and restructuring of the largest state-owned enterprises was formulated during one of these missions; several of its recommendations have already been implemented by the authorities and the project is now planned for funding by UNDP.

20. Another example is a workshop held at Istanbul, Turkey (see para. 16 above), the purpose of which was to identify the needs for assistance of 10 countries. As a result of that workshop, training activities in Peru and Uzbekistan were planned and implemented, and programmes in several other countries are now being developed. The recommended creation of regional networks, at which the privatization agencies of countries could exchange experience and undertake projects of common interest, was a result of the workshop, and this possibility is now being explored.

21. At the enterprise level, Governments need support in the mechanics of individual privatization cases. Techno-economic assessments of the potential viability of enterprises, training of enterprise directors and managers, preparation of valuations, audits and restructuring plans are all important aspects of privatization at this level. UNIDO can assist in the execution of most of these activities.

22. In a project that provides advisory support to the Ministry of Industry, Trade, Tourism and Integration in Peru, for example, UNIDO provided experts in chemicals and pulp and paper, in order to establish the technical basis necessary to make informed decisions regarding the proper modality of privatization in that field. In Poland, a large project is under way to restructure 15 of the largest state-owned enterprises to enable them to adapt to the new economic environment and to make them suitable for privatization. In Guyana, UNIDO assisted the Government in the restructuring and privatization of several state-owned enterprises. The experience gained at the individual enterprise level provides valuable feedback for policy and strategy formulation.

23. These are only a few examples of the various activities undertaken by UNIDO with regard to industrial restructuring and privatization. Other UNIDO work related to privatization includes

investment promotion forums that play a role in providing foreign capital imports for successful privatization; and entrepreneurship development and small- and medium-scale industry programmes that are instrumental in strengthening the domestic basis for industrial restructuring and in offering additional employment potential for workers laid off as a result of privatization.

III. ACTIVITIES FOR THE 1994-1995 BIENNIUM

24. At present, a number of proposals for large-scale technical cooperation projects have been or are being developed, which will call upon various units within UNIDO for implementation, e.g. in Ecuador, Ethiopia, Guyana, Peru, Sudan and Uzbekistan.

25. However, future activities related to privatization in the context of national industrial development strategies include more than technical backstopping of projects. UNIDO can, with adequate resources, play a key role in the development of privatization practices in developing countries, with emphasis on industrial restructuring. To that end, it is proposed that UNIDO undertake research in privatization-related areas, conduct expert group meetings to advance the state-of-the-art in privatization, organize and conduct additional workshops, and form networks on privatization, to disseminate information and knowledge of privatization throughout the world, and help coordinate various aspects of privatization among multilateral and bilateral institutions.

26. In further strengthening its privatization-related technical cooperation activities, UNIDO will ensure that its special expertise effectively complements the programmes carried out by other international organizations. This implies a clear focus on the linkages between privatization and industrial restructuring in terms of overall pre-conditions for successful privatization, as well as the impact of privatization on industrial performance.

27. The support expected from UNIDO in the field of privatization obviously varies from country to country. The type of activities will be particularly dependent on the recipient country's level of economic development and the stage of its privatization programme.

28. UNIDO could offer useful services in privatization at the enterprise level to all developing countries. This would include advice on specific enterprise privatizations and on preparation of business plans. For example, enterprise-level work may combine the services of a privatization adviser, specialists in the specific industry or sector, and a restructuring specialist. Thus, for the privatization of individual industrial enterprises, UNIDO could offer the services of different specialists. With its comparative advantage of multidisciplinary capability, UNIDO can also advise on alternative modalities for privatization and their operationalization. This may include, for example, the break-up of large enterprises into smaller, potentially-viable units for the purpose of privatization.

29. In some countries, especially those where skills are in short supply, UNIDO has the capability to offer a much broader array of services. In such countries, privatization is a particularly difficult process because it requires specialized assistance in many different functional areas. For those countries, there is a need for an unbiased organization to provide comprehensive technical support to the privatization process. That support should include policy, institutional, and enterprise-level activities. In Ethiopia or Uzbekistan, for example, the programmes are in the early stages of development, and the staff lacks sufficient exposure to market economics. UNIDO can provide the technical support from in-house sources, while at the same time helping to recruit and evaluate outside consultants, until such time as training programmes equip local personnel to perform those tasks. In such programmes, UNIDO can act as the primary adviser to the Government on privatization, bringing in specialized expertise as needed.

30. In short, while UNIDO intends to develop more fully its services for privatization of specific enterprises, industries or sectors, it also intends to develop its capabilities to backstop assistance to the privatization process in general, and not merely to individual privatization cases.

IV. ACTION REQUIRED OF THE BOARD

31. The Board may wish to take note of the present report and provide further guidance.

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ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO

Note by the Secretariat

1. In its decision GC.4/Dec.22, the General Conference decided to request the Industrial Development Board to pursue the examination of the organizational and staff structure of UNIDO with a view to reaching a decision that could be adopted by the General Conference at its fifth regular session.

2. In order to facilitate the further examination of the matter by Member States, the Director-General presented a progress report (IDB.10/24) to the tenth session of the Board on the reform of the organizational and staff structure of UNIDO along with revised proposals on a new organizational framework for the UNIDO Secretariat. The revised proposals were intended to help advance the process of decision-making on the matter.

3. At its tenth session, the Industrial Development Board took up the reform of the organization and staff structure of UNIDO. After debating the item, the Board decided to adjourn the consideration of a decision on the subject to its eleventh session (GC.5/3, para. 40).

4. Also at the tenth session, attention was focused on the relative priorities within the medium-term plan, 1994-1999, and it was decided to request the President of the Industrial Development Board to conduct informal consultations to study those priorities, bearing in mind the financial and technical capacity of UNIDO (decision IDB.10/Dec.8). The outcome of those consultations, which will be submitted to the Board at its eleventh session, as well as the findings of the recently established Task Force on Priorities and Structural Reform of UNIDO, will have a direct bearing on the reformed organizational and staff structure of UNIDO.

ACTION REQUIRED OF THE BOARD

5. The Board may wish to consider the adoption of an appropriate course of action that will permit the General Conference to reach a decision in keeping with the request expressed in decision GC.4/Dec.22.

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PREPARATORY ARRANGEMENTS FOR THE FIFTH SESSION OF THE GENERAL CONFERENCE

Report by the Director-General

Summary

Reviews the preparatory activities for the forthcoming session of the Conference and draws the attention of the Board to the documentation and other requirements for the Conference.

CONTENTS

		Paragraphs	Page
Introduction		1 - 3	1
Chapter			
I.	BACKGROUND INFORMATION	4 - 13	1
II.	PREPARATORY ACTIVITIES	14 - 18	2
III.	ACTION REQUIRED OF THE BOARD	19	3
Annex	ANNOTATIONS TO THE ITEMS OF THE TENTATIVE PROVISIONAL AGENDA OF THE FIFTH SESSION OF THE GENERAL CONFERENCE		4

Introduction

1. The General Conference of UNIDO is the principal organ of the Organization, consisting of representatives of all Members (Articles 7.1 and 8.1 of the Constitution).

2. The main functions of the Conference are stipulated in Article 8.3 of the Constitution. In particular, the Conference should determine the guiding principles and the policies of the Organization.

3. Unless it decides otherwise, the Conference is to hold a regular session every two years, at the seat of the Organization (Article 8.2). The last regular session (fourth) of the Conference was held in Vienna from 18 to 22 November 1991.

I. BACKGROUND INFORMATION

Date and place of the Conference

4. At its fourth session, in decision GC.4/Dec.25, the General Conference decided that its fifth session should be held from 6 to 10 December 1993.

5. In resolution GC.4/Res.30, the Conference took note with appreciation of the kind offer of the Republic of Cameroon to UNIDO to host the fifth session at Yaoundé in 1993, and requested the Director-General to undertake the necessary consultations with the Government of the Republic of Cameroon for detailed arrangements for holding the fifth session of the Conference at Yaoundé and to submit a report on the result of those consultations to the Board for decision. The Board at its ninth session decided to accept the offer of the Government of Cameroon and requested the Director-General to negotiate and to sign the necessary agreement with the Government of Cameroon (IDB.9/Dec.16). At its tenth session, the Board took note of the information provided in document IDB.10/31 on the signing of the agreement between UNIDO and the Government of Cameroon concerning the venue of the fifth session of the General Conference (IDB.10/SR.8, paras. 78-79).

Budgetary matters

6. The resources available for the holding of the fifth session of the Conference, as provided for in the programme and budgets of UNIDO, 1992-1993 (GC.4/42), total $626,500.

7. The budget of the Conference is based on the following assumptions:

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(a) The fifth session will last five working days providing for 10 plenary meetings, five main committee meetings and five geographical group meetings;

(b) Interpretation for plenary and main committee meetings and documentation will be provided in six languages (Arabic, Chinese, English, French, Russian and Spanish);

(c) Summary records which will be provided for plenary meetings as well as meetings of the main committee will be issued in English only during the session and the other five languages will be issued as soon as possible after the session;

(d) The venue of the session would be in Vienna; any additional costs involved in the event of the holding of the Conference at another site would be met by the host Government.

Agenda

8. In accordance with Article 9.4 (g) of the Constitution, the Board prepares the provisional agenda for each session of the General Conference.

9. Rule 13 of the rules of procedure of the Conference provides guidelines for the contents of the provisional agenda of a regular session of the Conference. Furthermore, in accordance with rule 12 of those rules of procedure, the Board shall prepare that provisional agenda on the basis of a list of items, submitted to it by the Director-General, together with annotations indicating briefly the history of each item, the proposed documentation, the substance of the matter to be discussed and any earlier relevant decisions by the Conference or other organs of the Organization.

10. At its fourth session the Conference adopted resolution GC.4/Res.26 on streamlining the work of the policy-making organs, in which it recommended to the Board "to set up the agenda of the fifth session of the Conference to correspond to the five medium-term priority problem areas, the three thematic programmes and the regional dimension, taking into account the policy directives by major categories of programme instruments, and this, with the aim that the outcome of its deliberations take the form of a single text covering the above-mentioned". The Conference also recommended to the Board that it examine ways and means of achieving the implementation of that recommendation.

11. Following that recommendation and on the basis of proposals submitted by the Secretariat, the Board at its tenth session adopted the tentative provisional agenda for the fifth session of the Conference contained in Board decision IDB.10/Dec.19 with the understanding that it would be reviewed by the Board at its eleventh session. Annotations to the items in the tentative provisional agenda and proposals for the documentation to be submitted under each item are provided in the annex to the present document. The Board may also wish to include a new sub-item 9 (a)(iii) as indicated in the annex.

Documentation

12. In accordance with rule 23 of the rules of procedure of the Conference, documents required for consideration of items on the provisional agenda shall be distributed by the Director-General in all languages of the Conference to all recipients of the provisional agenda, as far as possible at the same time as the provisional agenda (ninety days before the opening date) and in any event not later than forty-five days before the opening date of a regular session. As mentioned in paragraph 11 above, the annex to the present document provides, under each of the items of the tentative provisional agenda, an indication of the pre-session documentation required for the Conference. The documents mentioned in paragraph 18 (d) below have also been referred to in the annex.

13. In its resolution GC.4/Res.26, the Conference decided, on a trial basis, that reporting on selected programme and policy issues, under consideration by the policy-making organs, would be integrated in a consolidated report of the Director-General to be updated and to be distributed in chapters as soon as ready. The Conference also recommended to the Board to examine ways and means of achieving the implementation of that decision in its work. In an attempt to comply with resolution GC.4/Res.26, for the current session of the Board, progress reports on 17 different subjects have been presented as chapters of one single document (IDB.11/11) which updates and supplements the 1992 Annual Report. The document has also been given a Conference symbol (GC.5/10) in the hope that parts of it could be used for the Conference, thus obviating the need for additional documentation.

II. PREPARATORY ACTIVITIES

Organization of the work of the Conference

14. In view of the short duration of the Conference, the organization of its work is of paramount importance. The Board may therefore wish to consider this question as soon as the provisional agenda has been finalized. In planning the schedule of work, as in the past, account should be taken of the time required at the plenary for the general debate and for possible voting on some items. With this in mind, in previous sessions, a maximum length of seven minutes was suggested for statements of delegations in the general debate (cf. GC.4/CRP.8, section D, item 4; GC.4/SR.1, para. 77).

15. It will be recalled that, at its previous sessions, the Conference established a main committee to which it allocated a number of agenda items. The Board may wish to recommend to the Conference a similar procedure for its fifth session, keeping in mind that the possibility of creating additional committees is constrained by the limited resources available (see para. 7 above). Concerning the organization of the debates, following the pattern of previous sessions, all items would be taken up in plenary, with the substantive items (i.e. 7 to 15 of the tentative provisional agenda) being considered in the form of a general debate. Items 7 to 15 would also be referred to the main committee for a more focused debate aimed at the preparation of consensus draft decisions and resolutions for submission to the plenary.

16. The work of the previous sessions of the Conference was also greatly facilitated by the

setting up, under the guidance of the Bureau of the Board, of a contact group for the preparation of the Conference. Such a contact group, composed of representatives of permanent missions to UNIDO in Vienna, met during several months before the holding of each session of the Conference and prepared a report with recommendations covering most of the items on the agenda as well as organizational matters.

Regional activities

17. The eleventh meeting of the Conference of African Ministers of Industry, organized jointly by the Economic Commission for Africa, the Organization of African Unity and UNIDO, will be convened in Mauritius, from 31 May to 4 June 1993. It is expected that, as in the past, the Conference, which will be preceded by the Meeting of the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa (also in Mauritius, from 24 to 28 May), will discuss the African position for the General Conference. The outcome of the Conference would benefit from similar activities in other regions.

Preparations by the Secretariat

18. An internal task force was established in the UNIDO Secretariat in January 1993 (UNIDO/DG/B/161 and Amend.1) to initiate preparatory work for the Conference and assist the Director-General in that respect. The Task Force has either been involved in or submitted recommendations on the issues mentioned below.

(a) Contacts with the host country - Such contacts are taking place on a regular basis and will be intensified in the coming months to establish close ties between the Government of Cameroon and the UNIDO Secretariat, thus ensuring a smooth running of the Conference.

(b) Symposium on the industrialization of the least developed countries - It has become a tradition that UNIDO organizes a gathering of least developed countries immediately before the Conference to enable this group of countries to bring their concerns to the attention of the Conference. The substantive preparations of the Symposium, which will discuss the financing of the Industrial Action Programme for the Least Developed Countries (PI/114), are currently under way.

(c) Substantive content of the Conference - Considering that the forthcoming session of the Conference is a particularly serious event which should focus on a new vision and orientation for the Organization, the attention of the Board is drawn to the need for a thorough substantive discussion on industrial development and the role of UNIDO, both before and during the session. In that context, the Board may wish to recommend (i) that the statements to be delivered at the plenary (general debate) focus on a number of important substantive items only, and (ii) that regional organizations define their positions for the Conference following the example of the African region (see para. 17 above).

(d) Documentation - As in the past, the Secretariat will prepare an executive summary of the Global Report for submission to the Conference. In addition, one document on each of the following subjects is under preparation: (i) challenges and opportunities for the industrial development of the developing countries and regions in the context of global economic changes; and (ii) challenges and alternatives for African industrial development with emphasis on problems, challenges and alternatives for the African continent.

(e) Public information - The Secretariat is examining ways and means of providing adequate and meaningful publicity for the Conference in spite of the limited resources available.

III. ACTION REQUIRED OF THE BOARD

19. The Board may wish:

(a) To finalize the provisional agenda for the fifth session of the General Conference on the basis of the tentative provisional agenda contained in its decision IDB.10/Dec.19;

(b) To decide on the documentation to be prepared for the Conference on the basis of the information provided in the annex to the present note;

(c) To make recommendations to the Conference concerning the allocation of items to a main committee of the Conference (see para. 15 above) and the confinement to a limited number of important substantive subjects for the general debate at the plenary (see para. 18 (c) above);

(d) To recommend to regional intergovernmental organizations that they prepare their positions for the Conference;

(e) In the light of the experience gained in the preparation for previous sessions of the Conference, to recommend that, under the guidance of the Bureau of the Board, representatives of permanent missions in Vienna organize an informal contact group for the preparation of the fifth session of the Conference.

Annex

ANNOTATIONS TO THE ITEMS OF THE TENTATIVE PROVISIONAL AGENDA OF THE FIFTH SESSION OF THE GENERAL CONFERENCE a/

Item 1. Opening of the fifth session

In accordance with rule 34 of the rules of procedure of the General Conference Mr. Leopoldo López Cossio (Bolivia), President of the fourth session, will open the fifth session of the General Conference.

Item 2. Election of officers

At each regular session the Conference shall, with due regard for equitable geographical representation, elect, from among the representatives of Members, the following officers: a President and nine Vice-Presidents, as well as a Chairman for each Main Committee (rule 35).

(a) Election of the President

In accordance with rule 35 and appendix A of the rules of procedure, the President of the fifth session should be elected from the States in List B of Annex I to the Constitution.

(b) Election of other officers

The nine Vice-Presidents shall be elected so as to ensure the representative character of the General Committee (rule 35.3). The Vice-Presidents elected by the Conference at its fourth regular session were: Mr. A. Keramane (Algeria), Mr. R. Wotava (Austria), Mr. A.D. Berre (Gabon), Mr. M.R. Nematzadeh (Iran, Islamic Republic of), Mr. F. Salloukh (Lebanon), Mr. J.A. Porto Carrero (Peru), Mr. M. Kulcycki (Poland), Mr. V.A. Mikhailov (former Union of Soviet Socialist Republics), Mr. G. Clark (United Kingdom of Great Britain and Northern Ireland).

Item 3. Adoption of the agenda

See paragraphs 8 to 11 of the present document.

Item 4. Organization of work

The General Committee shall propose to the Conference the establishment of Main Committees and of any other sessional bodies of the Conference. It shall propose to the Conference the allocation of items between the plenary meetings, the Main Committees and any other sessional bodies (rule 42). See also paragraph 19 (c) of the present document.

Item 5. Credentials of representatives in the Conference

As stipulated in Article 8.1 of the Constitution of UNIDO, the Conference shall consist of representatives of all Members of the Organization. Membership in the Organization is defined in Article 3 of the Constitution.

In accordance with rule 27 of the rules of procedure of the Conference, the credentials of representatives and the names and titles of the other persons constituting the Member's delegation shall be submitted to the Director-General if possible not less than one week before the opening of the session which the delegation will attend. Any later change in the composition of the delegation also shall be submitted to the Director-General. The credentials of representatives shall be issued either by the Head of State or Government or by the Minister for Foreign Affairs of the Member concerned. A Permanent Representative to the Organization does not require special credentials if his/her letter of accreditation to the Organization specifies that he/she is authorized to represent his/her Government at sessions of the Conference, it being understood that this does not preclude that Government from accrediting another person as its representative by means of special credentials.

A Credentials Committee of nine members shall be appointed at the beginning of the Conference on the proposal of the President. Its composition shall be based on that of the Credentials Committee of the United Nations General Assembly at its most recent session. It shall examine the credentials of representatives and report without delay to the Conference which shall decide any question arising (rule 28).

Item 6. Election to organs

(a) Industrial Development Board

In accordance with Article 9.1 of the Constitution, the Industrial Development Board shall consist of 53 Members of the Organization elected by the Conference, which shall give due regard to the principle of equitable geographical distribution. In electing the members of the Board, the Conference shall observe the following distribution of seats: 33 members of the Board shall be elected from the States listed in Parts A and C, 15 from the States listed in Part B, and 5 from the States listed in Part D of Annex I to the Constitution.

In accordance with Article 9.2 of the Constitution, "members of the Board shall hold office from the close of the regular session of the Conference at which they were elected until the close of the regular session of the Conference four years thereafter ... Members of the Board may be re-elected."

At present, the Board is composed of the following States: Austria*, Belarus**, Belgium**,

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a/ As contained in Board decision IDB.10/Dec.19.

* Term of office expires at the close of the fifth regular session of the General Conference in 1993.

** Term of office expires at the close of the sixth regular session of the General Conference in 1995.

Bolivia**, Brazil**, Cameroon**, Chile**, China**, Costa Rica*, Cuba*, Egypt*, Ethiopia**, Finland*, France**, Germany**, Ghana**, Greece*, Guinea**, Hungary*, India*, Indonesia*, Iran, Islamic Republic of*, Iraq*, Italy**, Japan**, Kuwait**, Mexico*, Morocco*, Netherlands*, Nigeria*, Norway**, Pakistan**, Peru*, Republic of Korea**, Romania**, Russian Federation*, Saudi Arabia*, Senegal*, Slovakia**, Spain*, Sudan*, Switzerland*, Syrian Arab Republic*, Thailand**, Trinidad and Tobago*, Tunisia**, Turkey*, Uganda*, United Kingdom of Great Britain and Northern Ireland**, United States of America**, Venezuela**, Zaire*, Zimbabwe**.

(b) Programme and Budget Committee

In accordance with Article 10.1 of the Constitution, the Programme and Budget Committee shall consist of 27 Members of the Organization elected by the Conference, which shall give due regard to the principle of equitable geographical distribution. In electing the members of the Committee, the Conference shall observe the following distribution of seats: 15 members of the Committee shall be elected from the States listed in Parts A and C, 9 from the States listed in Part B, and 3 from the States listed in Part D of Annex I to the Constitution.

In accordance with Article 10.2, "members of the Committee shall hold office from the close of the regular session of the Conference at which they were elected until the close of the regular session of the Conference two years thereafter. Members of the Committee may be re-elected."

At its fourth session, the Conference elected the following States to hold office until the close of the fifth regular session of the Conference in December 1993: Algeria, Austria, Brazil, Bulgaria, China, Colombia, Cuba, Egypt, France, Germany, India, Italy, Japan, Kenya, Malawi, Mexico, Netherlands, Nigeria, Philippines, Poland, Qatar, Russian Federation, Rwanda, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia. b/

Other stipulations concerning the election of the members of the Industrial Development Board and the Programme and Budget Committee are contained in rule 102 of the rules of procedure of the General Conference.

Item 7. Annual reports of the Director-General on the activities of the Organization for 1991 and 1992

In accordance with rule 13.1 (b), the provisional agenda for each regular session of the Conference shall include the annual reports of the Director-General on the activities of the Organization. The Conference will have before it the annual reports of UNIDO for 1991 and 1992 (IDB.9/10 and Corr.1; IDB.11/10), which were submitted to the Board at its ninth and eleventh sessions, together with any recommendations made by the Board on the subject.

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b/ Concerning Yugoslavia, see resolution GC/S.1/Res.1 adopted by the General Conference at its first special session.

Item 8. Priority areas in the medium-term plan, 1992-1997

(a) Human resource development

The Conference in its resolution GC.4/Res.15 requested the Director-General to take a number of actions aimed at enhancing the human resource development activities of UNIDO, and to report on their implementation to the Board at its tenth session. The Board, in turn, decided to give UNIDO human resource development activities further consideration at its eleventh session, taking also into account the results of the ongoing in-depth evaluation of the subject, with a view to agreeing on substantive instructions for the UNIDO Secretariat on the matter.

The Conference will have before it any recommendations on the subject emanating from the Board at its eleventh session.

(b) Development and transfer of technology

The Conference at its fourth session adopted resolution GC.4/Res.13 in which it requested the Director-General: to undertake a number of actions aimed at promoting and facilitating the development and transfer of technology for developing countries; to continue to implement and enhance the programme contained in document IDB.3/26; and to report to the Conference at its fifth session through the Board at its eleventh session on the implementation of the resolution.

The Conference will have before it the latest progress report of the Director-General (IDB.11/11-GC.5/10, chap. XIV) together with any recommendations on the subject emanating from the Board at its eleventh session.

(c) Industrial rehabilitation

In its decision IDB.9/Dec.2, the Board requested the Director-General to submit to the policy-making organs of UNIDO, for their consideration, the substantive programme on industrial rehabilitation, in order to complete the programming exercise of the medium-term plan, 1992-1997, on its five priority areas no later than at the eleventh session of the Board.

The Conference will have before it the UNIDO programme on industrial rehabilitation submitted by the Director-General (IDB.11/20-GC.5/12) together with any recommendations on the subject emanating from the Board at its eleventh session.

(d) Small- and medium-scale industries

In its decision IDB.9/Dec.2, the Board requested the Director-General to submit to the policy-making organs of UNIDO, for their consideration, the substantive programme on small- and medium-scale industries, in order to complete the programming exercise of the medium-term plan, 1992-1997, on its five priority areas no later than at the eleventh session of the Board.

The Conference will have before it the UNIDO programme on small- and medium-scale industries submitted by the Director-General (IDB.11/14-GC.5/11) together with any recommendations on the subject emanating from the Board at its eleventh session.

(e) Environment, energy and sustainable industrial development, including follow-up to the United Nations Conference on Environment and Development

At its fourth session, the Conference in resolution GC.4/Res.18, inter alia, invited the Director-General to submit to the Board at its tenth session an update of the UNIDO environment programme, taking into consideration the recommendations and guidelines of the United Nations Conference on Environment and Development, the views expressed by the General Conference of UNIDO at its fourth session, as well as the results and recommendations of the UNIDO Conference on Ecologically Sustainable Industrial Development.

In its decision IDB.10/Dec.13, the Board took note of the report of the Director-General containing an updated UNIDO environment programme (IDB.10/17) and requested the Director-General to again update that programme in the light of further developments related to Agenda 21, and to report on UNIDO activities on sustainable development and its implementation of Agenda 21 to the Board and subsequently to the Conference at its fifth session.

Concerning energy, in its decision IDB.10/Dec.2 the Board requested the Director-General to undertake a number of actions.

The Conference will have before it the latest progress reports of the Director-General on the above subjects (IDB.11/11-GC.5/10, chap. I and XII) together with any relevant recommendations emanating from the Board at its eleventh session.

Item 9. Common elements in the medium-term plan, 1992-1997

(a) Mobilization of financial resources for industrial development

At its fourth session, the Conference in resolution GC.4/Res.21 addressed a number of requests to the Director-General aimed at pursuing and reinforcing his activities concerning the mandate of resolution GC.2/Res.10 including the presentation to the Board at its tenth session of a progress report on the implementation of the actions called for by the Conference. At its tenth session, the Board adopted decision IDB.10/Dec.15 in which it took note of the progress report of the Director-General (IDB.10/20-GC.5/6) and requested him to adopt a number of measures and to present to the Conference at its fifth session a detailed progress report on their implementation.

The Conference will have before it an updating of the progress report contained in document IDB.10/20-GC.5/6.

(i) Industrial investment promotion

In its resolution GC.4/Res.17, the Conference requested a number of actions from the Director-General related to industrial investment promotion as well as the submission of a report on the implementation of the resolution to the Conference at its fifth session through the Board at its eleventh session.

The Conference will have before it the latest progress report of the Director-General (IDB.11/11-GC.5/10, chap. XV) together with any recommendations on the subject emanating from the Board at its eleventh session.

(ii) Industrial Development Fund

In its decision GC.4/Dec.21, paragraph (e), the Conference encouraged the Director-General to pursue the development of the programme approach described in document GC.4/28 in order to enhance the impact of UNIDO assistance and requested the Secretariat to promote selected programmes following the medium-term plan priority areas, while urging Member States to provide adequate financial resources for the development and implementation of such programmes. In that same decision (para. (f)), the Conference encouraged the Director-General to continue utilizing Industrial Development Fund resources as a means for the mobilization of larger financial flows, both for technical cooperation and investment, and recommended the improvement of investment-related activities.

Information on the activities of the Fund is included in the annual reports of UNIDO for 1991 and 1992 (IDB.9/10 and Corr.1; IDB.11/10). Decisions of the Board concerning the programmes for 1992 and 1993 and the proposed programming thrust for 1993, 1994 and 1995 will be contained in the reports of the Board.

Following the precedent established in previous sessions of the Conference, in order to save time and money, the pledges to the Fund in 1993 will be made in writing, and the results announced at the end of the fifth session of the Conference.

(iii) Special trust funds c/

In its resolution GC.4/Res.28, while approving the guidelines for the development, appraisal, approval and implementation of special trust fund projects (GC.4/36), the General Conference, inter alia, requested the Director-General to prepare some additions to them (see para. 2 of the resolution) for submission to the Board at its tenth session. These additions were submitted in document IDB.10/15 and further revised in document IDB.11/19. On the basis of the latter document, the Conference may have before it recommendations emanating from the Board at its eleventh session concerning additions to the guidelines for special trust fund projects.

(b) Economic and technical cooperation among developing countries

The Conference in its resolution GC.4/Res.11 approved the proposed framework for the UNIDO-wide ECDC/TCDC programme contained in paragraph 12 of document GC.4/7 and addressed a number of requests to the Director-General, including the presentation of a report on the implementation of the resolution to the Conference at its fifth session.

The Conference will have before it the latest progress report on the subject (IDB.11/11-GC.5/10, chap. X) together with any recommendations emanating from the Board at its eleventh session.

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c/ Additional sub-item, included in view of possible recommendations to the Conference by the Board at its eleventh session.

(c) Integration of women in industrial development

The Conference at its fourth session adopted resolution GC.4/Res.12 in which it urged the further implementation of the UNIDO programme for the integration of women in industrial development, 1990-1995. In that context the Conference requested the Director-General to undertake a number of measures and to report on the progress of the implementation of the resolution to the Conference at its fifth session through the Board.

The Conference will have before it the latest progress report on the subject (IDB.11/11-GC.5/10, chap. XI) together with any recommendations emanating from the Board at its eleventh session.

Item 10. The regional dimension

(a) Second Industrial Development Decade for Africa

The Conference at its fourth session, in resolution GC.4/Res.8, decided to adopt the programme for the Second Industrial Development Decade for Africa (IDDA) and requested the Director-General to take a number of measures related to the implementation of the programme. It also requested the Director-General, in cooperation with the Executive Secretary of the Economic Commission for Africa (ECA) and the Secretary-General of the Organization of African Unity (OAU), to undertake follow-up actions for promoting national, subregional and regional activities in support of the programme and jointly submit a report on its implementation to the Conference at its fifth session through the Board.

The Conference will have before it the latest progress report of the Director-General (IDB.11/11-GC.5/10, chap. III) and the joint UNIDO/ECA/OAU report on the implementation of the programme for the Second IDDA together with any recommendations emanating from the Board at its eleventh session. Also of relevance to this item is the document referred to in paragraph 18 (d)(ii) of the present report.

(b) Special Programme for Industrial Development in the Arab Countries

At its fourth session the Conference in resolution GC.4/Res.5 listed the priorities for the activities of the Programme and addressed a number of requests to the Director-General including the submission of a report on the implementation of that resolution to the Conference at its fifth session through the Board at its tenth session. The implementation of the Programme is also on the agenda of the eleventh session of the Board.

The Conference will have before it the latest progress reports of the Director-General (IDB.10/12-GC.5/5 and IDB.11/11-GC.5/10, chap. VI) together with any recommendations emanating from the Board at its eleventh session.

(c) Special Programme for the Industrial Development of Asia and the Pacific

At its fourth session, the Conference took note appreciatively of the report on the implementation of the Programme and requested the Director-General to take a number of actions in that respect (decision GC.4/Dec.12). Progress reports on the subject have been submitted to the Board at its ninth and eleventh sessions.

The Conference will have before it the latest progress report of the Director-General on the subject (IDB.11/11-GC.5/10, chap. IV) together with any recommendations emanating from the Board at its eleventh session.

(d) Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean

At its fourth session, the Conference (resolution GC.4/Res.6), while appreciating the efforts of the Secretariat in launching the Regional Programme, requested the Director-General to undertake a number of measures and to submit a detailed report on their implementation to the Board at its tenth session. The subject is included in the provisional agenda of the eleventh session of the Board.

The Conference will have before it the latest progress report of the Director-General (IDB.10/18; IDB.11/11-GC.5/10, chap. V) together with any recommendations emanating from the Board at its eleventh session.

(e) Industrialization of the least developed countries

The Conference at its fourth session adopted two resolutions related to the least developed countries. In resolution GC.4/Res.10, the Conference adopted the industrial action programme for the least developed countries (PI/114). In resolution GC.4/Res.9, the Conference called upon the Director-General to continue to accord highest priority to the least developed countries in programmes of the Organization in order to assist in the implementation of the Paris Declaration and the Programme of Action of the Second United Nations Conference on the Least Developed Countries, and, within that context to develop and strengthen key priority sectors in the medium-term plan of UNIDO. The Director-General was also requested to report on the implementation of that resolution to the Conference at its fifth session.

The Conference will have before it the latest progress report of the Director-General (IDB.11/11-GC.5/10, chap. VII) together with any recommendations emanating from the Board at its eleventh session.

(f) Technical assistance to the Palestinian people

In its resolution GC.4/Res.7, the Conference requested the Director-General to increase UNIDO assistance to the Palestinian people in close cooperation with the Palestine Liberation Organization and to report to the Conference at its fifth session. The subject will also be reviewed by the Board at its eleventh session.

The Conference will have before it the latest progress report of the Director-General (IDB.11/11-GC.5/10, chap. VIII) together with any recommendations emanating from the Board at its eleventh session.

Item 11. Policy directives

(a) Policy forums

(i) Reports of the Industrial Development Board on the work of its fourth and fifth special sessions and its ninth, tenth and eleventh regular sessions

In accordance with Article 9.4 (c) of the Constitution, the Board shall report to the Conference at each regular session on the activities of the Board.

Since the fourth session of the Conference, and by the time the Conference meets for its fifth session, the Board will have held its fourth and fifth special sessions on 23 November 1991 and 22 January 1993 respectively, its ninth session from 8 to 22 May 1992, its tenth session from 2 to 6 November 1992 and its eleventh session from 28 June to 2 July 1993. The reports of these sessions of the Board will be submitted in documents GC.5/1, GC.5/2, GC.5/3, GC.5/4 and GC.5/8.

(ii) System of Consultations

In its resolution GC.4/Res.16 on the evaluation activities of UNIDO, the Conference requested the Director-General: to ensure the full implementation of in-depth evaluation recommendations within two years of the completion of an evaluation, and to report on the actions taken thereon; to present, in the framework of in-depth evaluations, UNIDO's action to ensure that its activities have an effective impact on the industrial development of developing countries; and to assess the implementation and impact of the recommendations of the evaluation on the System of Consultations and report on those assessments to the Conference at its fifth session through the Board at its ninth session. Subsequently, the Board in its decision IDB.9/Dec.9 requested the Director-General to undertake a number of additional measures to enhance the System of Consultations and to report on action taken on the decision to the fifth session of the Conference.

The Conference will have before it the latest progress report of the Director-General (IDB.11/11-GC.5/10, chap. XIII) together with any recommendations emanating from the Board at its eleventh session.

(b) Studies and research

(i) New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution

In its resolution GC.4/Res.19 the Conference took note with appreciation of the new concepts and approaches for cooperation in respect to industrial development contained in paragraphs 38 to 43 of the progress report of the Director-General on the subject (GC.4/17), and emphasized the aspects requiring particular attention in formulating those new concepts and approaches for industrial cooperation. The Conference also directed the Board to review the application of the approved new concepts and approaches, through a report of the Director-General and, in the light of its assessments, to consider any further new ones which may be necessary for submission to the Conference at its fifth session.

The Conference will have before it the recommendations on the subject emanating from the Board at its eleventh session.

(ii) Evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world

In its decisions IDB.6/Dec.23 and IDB.8/Dec.34, the Board raised a number of concerns related to the subject of this item, and referred them to the Conference at its fourth session. On that occasion the Conference considered a report by the Director-General (GC.4/18) and adopted resolution GC.4/Res.20. The resolution requested the Director-General, inter alia, to ensure that the activities of UNIDO are consistent with the efforts of developing countries to ensure their active participation in the world economy, and to report on the concrete steps he had taken in that regard, through the Board, to the Conference at its fifth session. The report of the Director-General is contained in document IDB.10/21-GC.5/7. The debate that took place at the tenth session of the Board on the subject is reflected in summary record IDB.10/SR.6, paragraphs 48 to 120.

The following documents will also be of relevance to the subject: the Executive Summary of the Global Report; the document mentioned in paragraph 18 (d)(i) of the present report; and the reports of the sixth and seventh sessions of the Special Advisory Group to the Director-General of UNIDO on specific activities of the Organization. The Conference may also have before it recommendations emanating from the eleventh session of the Board on the relative priorities of the medium-term plan, 1994-1999.

(iii) The external debt and industrial development

At its fourth session, the Conference in resolution GC.4/Res.22 requested the Director-General to take a number of actions aimed at contributing to the alleviation of the debt burden of the developing countries, and report on their implementation to the Conference at its fifth session through the Board at its tenth session. The progress report of the Director-General, which includes reporting on UNIDO activities aimed at the mobilization of financial resources for industrial development (see item 9 (a) above) is contained in document IDB.10/20-GC.5/6.

The Board at its tenth session, in its decision IDB.10/Dec.16, urged the Director-General to take a number of steps aimed at the alleviation of the external debt of the developing countries and to present to the Conference at its fifth session a progress report on their implementation.

The Conference will have before it an updating of the progress report contained in document IDB.10/20-GC.5/6.

(c) Technical cooperation activities of UNIDO (including contribution to international efforts to mitigate the consequences of the Chernobyl accident)

At its fourth session, the Conference in resolution GC.4/Res.3 and decision GC.4/Dec.11, requested the Director-General to take a number of

actions related to technical cooperation and to report on their implementation to the Conference at its fifth session, through the Board at its ninth session. The subject will also be reviewed by the Board at its eleventh session. The Conference will have before it the latest progress report of the Director-General (IDB.11/11-GC.5/10, chap. II) together with any recommendations emanating from the Board at its eleventh session.

In its resolution GC.4/Res.1 the Conference requested the Director-General to continue, within the mandate of UNIDO, to take appropriate measures on the implementation of United Nations General Assembly resolution 45/190 on international cooperation to address and mitigate the consequences of the accident at the Chernobyl nuclear power plant, in cooperation with the United Nations Coordinator of International Cooperation for Chernobyl. It also requested the Director-General to submit a report on the subject to the General Conference at its fifth session. The Board will review the matter at its eleventh session. The Conference will have before it the report of the Director-General on the subject (IDB.11/8-GC.5/9) together with any recommendations emanating from the Board at its eleventh session.

(d) The coordinating role of UNIDO

Article 2 (b) of the Constitution stipulates that, in fulfilment of its objectives, the Organization shall, in accordance with the Charter of the United Nations, initiate, coordinate and follow up the activities of the United Nations system with a view to enabling the Organization to play the central coordinating role in the field of industrial development. The Conference may wish to discuss that role of UNIDO in the light of United Nations General Assembly resolution 47/153 on industrial development cooperation. The documents referred to under item 11 (b)(ii) above will be of relevance to the subject.

Item 12. Policy management

(a) Evaluation activities of UNIDO

In its resolution GC.4/Res.16 the Conference requested the Director-General to undertake a number of actions related to the evaluation activities of UNIDO, and to report on their implementation at its fifth session, in particular, in relation to the arrangements made for the future financing of evaluation activities, including the strengthening of the Evaluation Staff of the Organization, and steps initiated for the undertaking of the in-depth evaluation on special trust fund programmes. The Board will also review the evaluation of UNIDO programmes and activities at its eleventh session.

In addition to the information provided in document IDB.11/11-GC.5/10, chapter XVI, the Conference will have before it a report by the Director-General on the subject together with any recommendations emanating from the Board at its eleventh session.

(b) Organizational and staff structure

In its decision GC.4/Dec.22, the Conference requested the Board to pursue the examination of the question of the organizational and staff structure of UNIDO with a view to reaching a decision that could be adopted by the Conference at its fifth session.

The Conference will have before it the recommendations emanating from the Board at its eleventh session. Any reporting to the Conference will be subject to the recommendations of the Board.

Item 13. Programme support

(a) Matters related to intergovernmental, non-governmental, governmental and other organizations

In accordance with rule 13, the provisional agenda for each regular session of the Conference shall include reports from specialized and related agencies and from other intergovernmental organizations with which UNIDO has concluded a relationship agreement purusant to Article 19.1 (a) of the Constitution, and items proposed by them, where the agreement establishing the relationship with the organization concerned so provides.

Furthermore, in the guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations adopted by the General Conference at its first session (decision GC.1/Dec.41, annex), it is stipulated that the Director-General shall report to the Conference at each regular session on any agreements with intergovernmental and governmental organizations entered into by him on behalf of the Organization since the preceding regular session as well as on any consultative relations established with non-governmental organizations in the same period.

The Conference will have before it the decisions adopted by the Board on the subject at its ninth, tenth and eleventh sessions and a note by the Director-General on developments that have taken place since the fourth session of the Conference.

(b) Headquarters agreement between UNIDO and the Republic of Austria

In accordance with Article 20.2 of the Constitution, "the Organization shall conclude a headquarters agreement with the Host Government". The Conference will be informed of the latest developments in this respect.

(c) Personnel matters

(i) United Nations Joint Staff Pension Fund

The Conference will have before it a recommendation of the Board concerning candidates for election to the Staff Pension Committee for the years 1992 and 1993.

(ii) Women in the Secretariat

In its decision GC.4/Dec.24, the Conference urged the Director-General to continue the efforts towards recruiting women in posts subject to geographical distribution and in particular to accord priority to the increased representation of women at the P-5 and above levels within the overall targets set for 1993 and 1995. The Director-General was also requested to submit a progress report on the subject to the Conference

at its fifth session through the Board at its eleventh session.

The Conference will have before it the latest progress report by the Director-General (IDB.11/11-GC.5/10, chap. XVII) together with any recommendations on the subject emanating from the Board at its eleventh session.

(d) Financial matters

The reports of the Board mentioned under item 11 (a)(i) above will contain recommendations to the Conference concerning sub-items (i) to (v) below.

(i) Scale of assessments of Member States

In accordance with rule 13.1 (k), the provisional agenda for each regular session of the Conference shall include recommendations of the Board for the establishment of the scale of assessments. Article 15 of the Constitution stipulates that regular budget expenditures shall be borne by the Members, as apportioned in accordance with a scale of assessments established by the Conference by a two-thirds majority of the Members present and voting, upon the recommendation of the Board, that the scale of assessments shall be based to the extent possible on the scale most recently employed by the United Nations and that no Member shall be assessed more than 25 per cent of the regular budget of the Organization.

The Conference will have before it the recommendations of the Board based on PBC conclusion 93/5 concerning the scale of assessments for 1994-1995.

Concerning the split-currency system of assessment, the Conference in its resolution GC.4/Res.27, decided that the appropriation approved for the biennium 1992-1993 be assessed in the proportions of 11 per cent in United States dollars of the appropriation expressed at US$ 1 = AS 12.90 and the balance in Austrian schillings. At the same time, the Conference decided to suspend for 1992-1993 the second sentence of financial regulation 5.1 (d) (i.e. "The initial assessment in Austrian schillings shall be established at the United Nations accounting rate of exchange in effect at the time the regular budget is adopted by the Conference.") and requested the Director-General in consultation with the External Auditor to review the appropriateness of that sentence and to report thereon through the PBC and the Board to the Conference at its fifth session.

The conclusions of the Secretariat, elaborated in consultation with the External Auditor are contained in its report to the PBC on the subject (PBC.8/11). Both the PBC and the Board took note of the Secretariat's report.

(ii) Financial situation of UNIDO

The Conference will have a report by the Director-General showing the financial situation of UNIDO as of 31 October 1993 (to be updated immediately before the opening of the session). The report will contain a cash flow analysis for 1993 including the status of assessed contributions to the regular budget and the status of advances to the Working Capital Fund.

The Conference may also have recommendations on the subject emanating from the Board at its eleventh session.

(iii) Financial regulations

In addition to the question of the appropriateness of the second sentence of financial regulation 5.1 (d) raised in resolution GC.4/Res.27 (see item 13 (d)(i) above), the Conference, in its resolution GC.4/Res.28 related to guidelines for special trust fund projects, requested the Director-General to present a proposal to the Board at its tenth session, through the PBC, on the application of financial rule 106.21 governing reimbursement for programme support and administrative services, taking into account the cost measurement study undertaken by the United Nations Development Programme (UNDP). Such a proposal was presented to the PBC and the Board (IDB.10/8, paras. 16-18). Both the PBC and the Board took note of that proposal.

Concerning financial regulation 4.1, the Conference, in its resolution GC.4/Res.23, while deciding to adopt the additional proposals in Board decision IDB.7/Dec.13, maintained the proposed paragraphs (d) and (e) in square brackets and requested the External Auditor to submit a report to the PBC at its eighth session on his views and comments on those paragraphs. It also requested the PBC to reconsider paragraphs (d) and (e) and report to the Conference at its fifth session through the Board at its tenth session.

The recommendation of the Board to the Conference on the subject is contained in decision IDB.10/Dec.10.

(iv) Working Capital Fund

In accordance with financial regulation 5.4, upon recommendation of the PBC and subsequently the Board, the Conference shall determine the amount and purposes of the Working Capital Fund. Financial regulation 5.5 (d) stipulates that advances to the Working Capital Fund shall be assessed and paid in United States dollars.

At its fourth session, the Conference in decision GC.4/Dec.16 decided that for the 1992-1993 beinnium the level of the Working Capital Fund should be $9 million and the authorized purposes of the Fund should remain the same as for the previous bienniums (see decision GC.2/Dec.27).

The Conference will have before it the status of advances to the Working Capital Fund as of 31 October 1993 (to be updated immediately before the session) as well as the recommendations emanating from the Board at its eleventh session based on PBC conclusion 93/6 concerning the level and purposes of the Working Capital Fund for the biennium 1994-1995.

(v) Appointment of External Auditor

In accordance with financial regulation 11.1, an External Auditor, who shall be Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the Conference. By decision GC.1/Dec.34, the Conference appointed the Senior President of the Audit Office of Belgium as the External Auditor

for UNIDO for a period of two years beginining on 1 July 1986, and subsequently by decisions GC.2/Dec.28, GC.3/Dec.22 and GC.4/Dec.17, it extended that appointment until 30 June 1994.

The Conference will have before it the recommendations of the Board on the question of the appointment of an External Auditor for the period 1 July 1994 to 30 June 1996.

(e) Computerization programme

In its decision GC.4/Dec.18, the Conference at its fourth session requested the Director-General, with a view to ensuring the transparency of all operations concerning the electronic data-processing (EDP) programme and avoiding a repetition of past difficulties, to report to the subsequent sessions of the policy-making organs on the programme and cost of implementing the consultants' recommendations and the recommendations of the External Auditor, as contained in documents GC.4/CRP.1 and GC.4/50, especially those concerning the disaster recovery plan, the organizational and functional changes and the internal control and evaluation of automation projects.

Accordingly, the Conference will have a report by the Director-General on the subject.

Item 14. Medium-term plan, 1994-1999

In accordance with Conference decision GC.2/Dec.23, the Director-General submitted to the Board in the first year of the fiscal period 1992-1993, through the PBC, a draft medium-term plan for the six years 1994-1999.

The Board at its tenth session in its decision IDB.10/Dec.7 took note of the draft medium-term plan, 1994-1999 as contained in documents IDB.10/15 and Add.1. At the same time, in its decision IDB.10/Dec.8, it decided to review at its eleventh session the relative priorities within the medium-term plan activities, 1994-1999, bearing in mind the financial and technical capacity of UNIDO (see also item 11 (b)(ii) above).

The Conference will have before it the recommendations emanating from the Board at its eleventh session. Any reporting to the Conference will be subject to such recommendations.

Item 15. Programme and budgets, 1994-1995

In accordance with Article 14.4 of the Constitution, the Conference shall consider and approve the programme of work and the corresponding regular budget and operational budget submitted to it by the Board, by a two-thirds majority of the Members present and voting.

The Conference will have before it the recommendations of the Board related to the programme and budgets, 1994-1995.

Item 16. Date and place of the sixth session

Article 8.2 (a) of the Constitution stipulates that the Conference shall hold a regular session every two years, unless it decides otherwise. In the proposals of the Director-General for the programme and budgets for 1994-1995, provisions have been made for the holding of the sixth session of the General Conference for a duration of five working days.

Item 17. Closure of the fifth session

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Industrial Development Board

Eleventh session
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Items 4 and 7 of the provisional agenda

UNIDO POLICIES

MEDIUM-TERM PLAN, 1994-1999

Future policy framework of UNIDO in accordance with medium-term plan priority areas and resource projections

Report by the Director-General

Summary

In response to decision IDB.9/Dec.2, paragraph (e)(ii), reports on the current status of drawing up a future policy framework for UNIDO in accordance with medium-term plan priority areas and resource projections.

CONTENTS

	Paragraphs	Page
Introduction	1	1
Chapter		
I. THE CHANGING ENVIRONMENT .	2 - 4	1
II. THE CHANGING ROLE OF UNIDO	5 - 9	2
III. ACTION REQUIRED OF THE BOARD	10	2

Introduction

1. In paragraph (e)(ii) of its decision IDB.9/Dec.2 on UNIDO policies, the Industrial Development Board requested the Director-General to present to the Board at its eleventh session a clear enunciation of UNIDO future policy framework in accordance with medium-term plan priority area and resource projections. The present document addresses that issue in the wake of the recent changes facing Member States and the Organization.

I. THE CHANGING ENVIRONMENT

2. As pointed out in the introduction to the draft medium-term plan for 1994-1999 (IDB.10/5), certain politico-economic trends are clearly emerging in many parts of the world, the most noteworthy of which are the shift towards democratization and a pluralist society in many developing countries, particularly those in Africa, and the introduction of market economy principles in the countries of Eastern and Central Europe. The evolving nature of international economic relationships will itself be increasingly determined by a host of different factors. These range from the aftermath of political retrenchment and possible changes in military spending, to shifts in the international trading system, the globalization of industry, the regionalization of markets and changes in the pattern of industrial production - away from energy-intensive and materials-based productive processes to increasingly flexible information- or knowledge-based activities with corresponding changes in global productivity. At the same time, new product standards and environmental regulations in the industrialized countries will force changes in manufacturing processes and products in the developing countries.

3. The development paradigm of the past 40 years has lost its political and economic ability to raise funds. It is quite likely that traditional donors will continue to reduce the amount of their official development assistance as they face major socio-economic changes. Trade, economic and financial conditions in the Nordic countries, for example, are no longer as before. There has been a pronounced change in public attitudes and clear signs of development aid fatigue have set in. In the ultimate analysis, most of the developmental resources currently being raised are used to finance peace-making and peace-keeping activities, resulting in a lower level of resources for development programmes.

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4. These and other far-reaching changes sweeping through the global politico-economic scene have prompted the United Nations system to reassess its role in world affairs as well as the availability of funds for programming purposes. For some time now, a spirit of reform has become evident throughout the United Nations system. Proposals to strengthen the United Nations system continue to be made as the new Secretary-General puts into effect a series of steps to revitalize the United Nations Secretariat. Similar reform measures, including internal restructuring, are under way or under consideration in a number of specialized agencies to sharpen their technical edge in an increasingly competitive environment. UNIDO is keenly aware of these developments and has initiated the process of organizational and management reform in an endeavour to maintain and enhance its comparative advantage in the field of industrial development.

II. THE CHANGING ROLE OF UNIDO

5. Given that the demand for its services will vary from region to region, as well as from country to country, it is essential that UNIDO develop not only flexibility and capacity for change, while demonstrating increased efficiency and effectiveness, but also a thorough comprehension of country and regional needs. UNIDO must be, and demonstrably so, an organization capable of meeting the varied expectations of its clients.

6. The Director-General is taking steps to reform the programme and structure of UNIDO in the light of current economic industrial and technological developments hinted at above. As a first stage in that reform process, a Task Force has been set up to provide advice on the priorities to be established by UNIDO and on a matching organizational structure.

7. At the same time, informal consultations are being held with Member States by the President of the Board on the relative priorities of UNIDO within the context of the medium-term plan for 1994-1999. A report on those consultations will be submitted to the Board at its eleventh session.

8. A close symbiotic relationship exists between the two endeavours. In drawing up a structure for the Organization, the Task Force will be guided by the findings contained in the President's report, as discussion in the informal consultations on the priorities in the medium-term plan also covered the changing role of the Organization and openings for reform, as well as the comparative advantages of UNIDO and the levels of intervention.

9. These issues, together with the financial and human resource aspects, are of critical importance to the elaboration of a future policy framework for UNIDO. It thus follows that the elaboration of that framework and the definition of an organizational and staff structure have to proceed in tandem with the ultimate aim of restoring the relevance of the Organization to all Member States and increasing radically its efficiency.

III. ACTION REQUIRED OF THE BOARD

10. The Board may wish to consider the future policy framework of UNIDO in conjunction with the question of the organizational and staff structure (item 11 of the provisional agenda) and adopt an appropriate course of action with a view to facilitating the decision to be adopted by the General Conference at its fifth session on both issues (cf. Conference decision GC.4/Dec.22).

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MEDIUM-TERM PLAN, 1994-1999

Relative priorities within the medium-term plan, 1994-1999

UNIDO's future and reform in a changing world*

Report by the President of the tenth session the Board,
H. E. Mr. P. Balázs (Hungary)

CONTENTS

		Paragraphs	Page
Introduction		1 - 3	1
Chapter			
I.	PRIORITIES IN THE MEDIUM-TERM PLAN OF UNIDO	4 - 9	1
II.	ROLE OF UNIDO IN THE INDUSTRIALIZATION PROCESS IN THE CHANGING ECONOMIC ENVIRONMENT OF THE WORLD	10 - 26	2
III.	FINANCIAL AND HUMAN RESOURCES IN AND OUTSIDE OF UNIDO	27 - 30	4
IV.	PRACTICAL METHODS OF UNIDO'S OPERATION	31 - 35	5
Annex	List of oral and written statements of Member States and UNIDO documents considered by the President		6

Introduction

1. In Industrial Development Board decision IDB.10/Dec.8 of 6 November 1992 the President of the Board was requested to conduct informal consultations to study the relative priorities within the medium-term plan activities, 1994-1999, bearing in mind the financial and technical capacity of UNIDO, and report to the Board at its eleventh session. The present document, submitted by H. E. Mr. P. Balázs, the President of the tenth session of the Board, is submitted in compliance with that request.

2. The informal consultations conducted by H. E. Mr. P. Balázs, President of the tenth session of the Board with the aim of discussing the relative priorities within the medium-term plan, 1994-1999 of UNIDO were held in three sessions - on 15 to 16 April, 10 May and 8 June 1993. The meetings were attended by a great number of interested Vienna-based delegations and brought remarkable activity.

3. During the series of consultations Member States expressed their wish and support that the aim of the present exercise was to reach an agreement during the next session of the General Conference to be held at Yaoundé, Cameroon, in December 1993, enabling the new Director-General to implement appropriate structural and staff reform within UNIDO. The present report is an attempt to summarize the oral contributions and written statements of the Member States and regional groups as well as various related UNIDO documents considered by the President (see annex).

I. PRIORITIES IN THE MEDIUM-TERM PLAN OF UNIDO

4. The present draft of the medium-term plan, 1994-1999, as examined during the eighth session of the Programme and Budget Committee and the tenth session of the Industrial Development Board, identifies the major challenges facing the Organization in terms of target problem areas and themes and serves as a set of guidelines for the activities of UNIDO. In keeping with General Conference resolution GC.4/Res.25, the structure adopted in the medium-term plan, 1992-1997, while accepting its rolling nature, has been maintained.

5. In the medium-term plan previous unchanged priorities are listed in a rather lengthy document. All the 286 points of the medium-term

* This document has not been formally edited.

plan are difficult to operationalize. These global objectives are considered as important in creating a framework for UNIDO's industrial development mandate, but they are not effective tools for focusing on UNIDO's day-to-day operation.

6. Although the medium-term plan is a plan in name, practically it does not bear the characteristics of political or economic programmes. It neither sets deadlines nor formulates financial ceilings in overall figures. During the consultations views have been expressed suggesting that the period of the medium-term plan might be reduced to two years and be adjusted to the programme and budget cycle of UNIDO. Member States of UNIDO have different views whether the major thrust of the plan should be maintained or some of its head items could be reexamined, regrouped and even renamed, or its major titles could be reduced to a small focused group of issues.

7. Fundamental changes of the world-wide economic and political environment are not reflected in the medium-term plan. In the last decade a strong tendency of differentiation has been taking place among developing countries. Their respective development levels are ranging between least developed countries and newly industrializing countries on a rather wide scale. Developing countries are facing various problems in the free market, several of them for giving up planned economies. The conflicts between East and West have subsided and the former Soviet Union and Eastern European countries are departing from centrally planned and moving to free market economies. New States have emerged in different parts of the world with specific endowments and needs of industrialization. Under such circumstances, the importance of assistance and cooperation from both developed countries and from United Nations organizations to developing countries is greatly increasing.

8. As defined in the Constitution of UNIDO, the primary objective of the Organization is the promotion of industrial development in the developing countries. Several delegations stressed the universal character reflected in Article 1, according to which UNIDO should also promote industrial development and cooperation on global, regional and national, as well as on sectoral levels. Others emphasized that considering the limited resources UNIDO should concentrate its efforts on the group of countries where foreign development assistance is mostly needed, i.e. the least developed countries.

9. One major implication deriving from the new international setting is that all countries not belonging to the groups of net donors or to the net recipients have interactions among them as well as with the two previous categories being donors and recipients at the same time, according to their respective development levels and needs. Several Member States emphasized that, consistent with the essential meaning of universality, all regions and countries shall have their needs considered, analysed and met by UNIDO within the capacity of the Organization. No possible beneficiary country can feel being excluded from the assistance channelled through UNIDO.

II. ROLE OF UNIDO IN THE INDUSTRIALIZATION PROCESS IN THE CHANGING ECONOMIC ENVIRONMENT OF THE WORLD

10. UNIDO is facing a twofold crisis - financial and technical. The financial crisis is mainly due to delayed payments of assessed contributions by Member States and a drop in income from operational activities. On the technical side, UNIDO's capacity to meet the needs of the developing countries is in danger of being eroded. The crisis UNIDO is facing should be considered in the perspective of the international economic environment.

11. As an essential part of the United Nations family, UNIDO is an intergovernmental organization where decisions of the policy-making organs are based on politically and economically motivated positions of the Member States. However, because of a certain information gap between the policy-making process of the Member States and the project-implementing activities of UNIDO, Governments may have difficulties to assess the services of the Organization. As a matter of fact, neither donor nor beneficiary countries have an overview - from the viewpoint of their national economies - on assistance channelled through UNIDO.

New chances of reforming UNIDO

12. UNIDO Member States are determined to face challenges of present reform initiatives of the Organization strengthened by some favourable conditions:

- Reform of the whole United Nations system in the economic field: General Assembly decisions concentrating on sustainable development;
- New specific demands for industrialization generated by the changing world economic environment;
- Definite and increasing need for the services of a United Nations organization in the field of industrial development;
- Fast differentiation of the developing countries and widening gap between highly and least industrialized countries;
- Election of the new Director-General of UNIDO who has undertaken far-reaching initiatives on structural reform of the Organization leading to changes at different management levels;
- Establishment of a Task force from the senior staff of the Organization with the purpose of studying the most crucial issues resulting in a group of recommendations for the Director-General.

Comparative advantages of UNIDO

13. Present and potential advantages of the Organization can attract both donors and beneficiaries interested in promotion of world-wide industrial cooperation.

14. Actual advantages of UNIDO are the following:

- UNIDO as a United Nations organization has a universal perspective and capacity to link global instruments with regional and country efforts;
- UNIDO, as all United Nations organizations, is neutral without specific political or economic interests being in the position to provide impartial assistance;
- One of the main assets of UNIDO is the substantive and specialized knowledge on industrial (sub-)sectors linking different target levels of UNIDO's action;
- UNIDO's activities are not motivated by profit considerations, which is a distinctive feature of the Organization compared with private enterprises;
- UNIDO has accumulated long-standing experience in the identification, design, management and guidance of industrial development activities.

15. The present general income and volume-driven approach should be replaced by a conceptual and demand-driven practice. In this case UNIDO can have the following additional advantages:

- Maintaining direct access to Governments, UNIDO has the potential to elaborate issues crucial for promoting sustainable industrial development;
- By implementing the principle of critical mass of intellectual capacity, UNIDO has the potential to become an international centre of excellence in selected areas which is able to provide its services expeditiously in contrast to other sources.

Target levels of UNIDO's interventions

A) Government level

16. At the policy and strategy level UNIDO shall not play a normative role outside of requested activities of an applied nature, e.g. quality management and environmental aspects of industry. Assistance should be focused on specific needs of countries and regions identified by the national Governments as well as on offers of UNIDO. For providing a sufficient package of services on this level it is essential to maintain and improve adequate communication systems with Governments, both in donor and beneficiary countries.

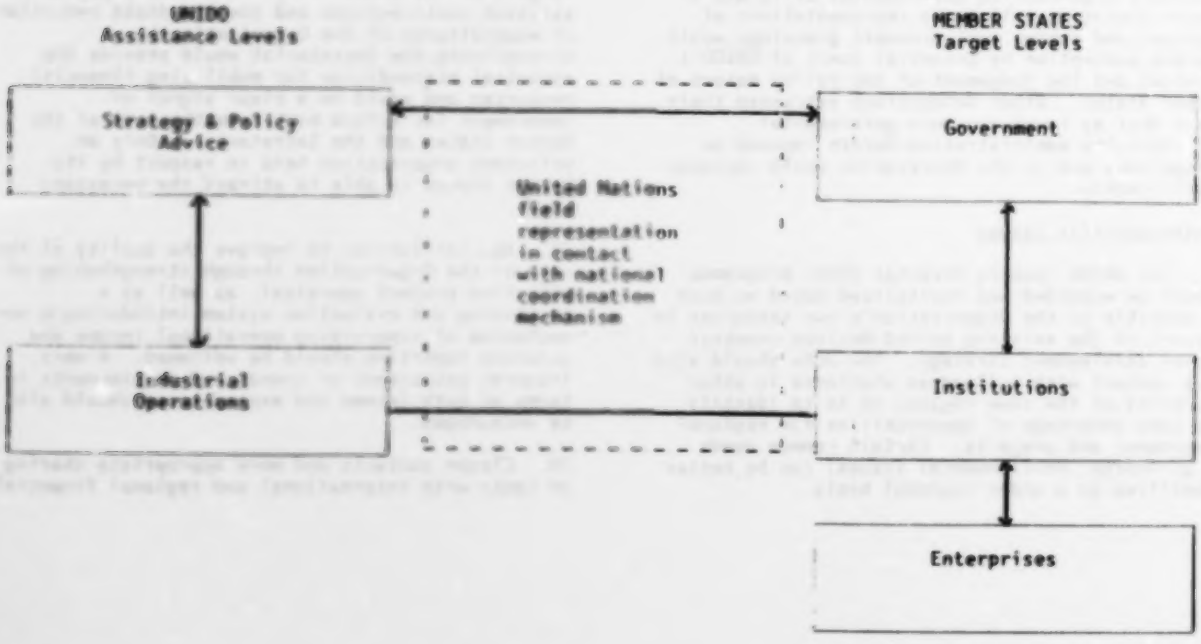
B) Institutional framework level

17. UNIDO's interventions should be addressed mainly to industrial associations and institutions, including governmental organizations. The channelling of UNIDO assistance through the institutional level should ensure free access and transparency of UNIDO assistance provided to enterprises. By having institutional channels, UNIDO assistance can play an increased multiplier effect best contributing to the establishment of national capacities in the economies of the beneficiary countries.

C) Enterprise level

18. Major beneficiaries of UNIDO's services are the enterprises with special emphasis on small- and medium-scale industries. This is the ultimate target level of UNIDO's development assistance operations. Enterprises should be approached in harmony with government industrial policies and contacted through and together with appropriate institutions ensuring widespread information as well as free access to UNIDO services and transparent decision making. Selection of beneficiaries should be based on clear-cut criteria and relevance.

19. The following diagram shows the possible distribution of UNIDO's intervention:



Country-specific aspects

20. The lack of a real appreciation of UNIDO's assistance is due to the inadequate perception by both potential users of its services and key policy makers of Member States. As a matter of fact, activities of the Organization are too dispersed in individual countries. For this reason UNIDO should put greater emphasis on making the Organization properly known in the Member States at governmental, institutional and enterprise levels.

21. When addressing country-specific issues UNIDO has to follow a broader country strategy agreed upon in the framework of the entire United Nations system. The three target levels should be brought into harmony inside the recipient countries by government initiatives utilizing the cross-fertilization effect. National interests and appropriate channelling of UNIDO assistance inside the Member States might be coordinated by government initiatives (e.g. UNIDO National Committee, etc.) involving representatives from the three target levels.

22. UNIDO field representation should actively participate in the identification of the needs of the target beneficiaries as a contribution to the project development cycle and to the analytical capabilities of the Organization and identifying external support to be provided by UNIDO to assist them in the development process.

23. The balance between various activities of UNIDO would vary considerably between countries at different stages of development. A joint UNIDO/government programme would be a useful framework to adapt UNIDO services to the concrete demands of the beneficiary countries. Such programmes could be presented in an appropriate manner for the information of Member States, both donors and recipients. Such a systematic programme approach increases the relevance and impact of UNIDO for national industrialization strategies.

24. Several delegations stated that regular debates on industrial development issues during sessions of UNIDO policy-making organs attended by competent high-ranking governmental officials of Member States as well as by representatives of regional and subregional economic groupings would improve perception by potential users of UNIDO's services and the judgement of key policy makers of Member States. Other delegations expressed their fears that by involving more governmental officials the administrative burden imposed on delegations and on the Secretariat would increase significantly.

Region-specific issues

25. The UNIDO Country Director (UCD) programme should be expanded and revitalized based as much as possible on the Organization's own resources in support of the existing United Nations country/region development strategy. The UCDs should also keep contact with colleagues stationed in other countries of the same region, so as to identify and take advantage of opportunities for regional programmes and projects. Certain common needs (e.g. energy, environmental issues) can be better identified on a wider regional basis.

Guidelines for establishing priorities

26. On the basis of its specific industry-related knowledge UNIDO should act as a clearing-house of experiences, playing a catalytic role. UNIDO should provide assistance on the following priority areas:

Substantive objectives:

- Strengthening of national capabilities and effectiveness especially in human resource development;
- Promotion of international competitiveness of industry;
- Effective international industrial cooperation in promotion of foreign investment and technology transfer as well as in regional and subregional cooperation;
- Development, rehabilitation and promotion of private sector with special emphasis on small- and medium- scale industries;
- Ecologically sustainable industrial development.

Programmatic instruments:

- Technical cooperation;
- Industrial investment and technology promotion;
- Industrial development policies and strategies, information services;
- Studies and research, examination and revaluation of the industrial aspects of global economic changes;
- Policy fora.

III. FINANCIAL AND HUMAN RESOURCES IN AND OUTSIDE OF UNIDO

27. The financial capacity of UNIDO depends largely on its credibility. The timely payment of assessed contributions and the immediate reduction of expenditures of the Organization by streamlining the Secretariat would provide the essential precondition for mobilizing financial resources and would be a clear signal of commitment for reform both from the side of the Member States and the Secretariat. Only an efficient organization held in respect by its Member States is able to attract the necessary funds.

28. New initiatives to improve the quality of the work of the Organization through strengthening of effective project appraisal, as well as a monitoring and evaluation system introducing a new mechanism of supervising operational income and accurate reporting should be welcomed. A more frequent assessment of trends and developments in terms of both income and expenditures should also be encouraged.

29. Closer contacts and more appropriate sharing of tasks with international and regional financial

institutions as well as with economic integration and regional groupings could widen the financial capacities of UNIDO. Overlapping of their respective activities should be avoided.

30. Increased efforts should be undertaken to make known to Member States the impacts on efficiency of UNIDO's activities resulting from the reform of the Organization. Higher effectiveness of the Organization and the improvement of the existing financial mobilization mechanism could lead to an increase of voluntary contributions and a greater reliance of Governments on UNIDO coordinated activities in their aid operations.

IV. PRACTICAL METHODS OF UNIDO'S OPERATION

31. The administrative burden UNIDO has to carry is imposed on it to a great extent by Member States. The decision-making procedure is too long and has less impact on the daily work of the Secretariat then intended. The Secretariat faces sometimes great difficulties in implementing decisions approved by the Industrial Development Board and Programme and Budget Committee of UNIDO.

32. The agenda of the policy-making organs is too crowded and provides very limited room for elaborating real technical issues. One possible way out of the present situation could be the reducing the frequency of elaboration of repetitive items and deleting items dealt with by other United Nations organizations. Substantial modification of the present agenda of the policy-making organs would require a careful examination and decision of Member States.

33. Some delegations suggested that, similarly to other United Nations organizations, beside or by replacing existing policy-making organs, an "Industrial Activity Committee" might be established. This technical body, by involving development assistance experts with industrial knowledge, could deal with practical industry-related questions. The costs of such a committee should be covered within the existing resources and its establishment should not increase administrative obligations of Member States and the Secretariat.

34. According to the views of several delegations the policy-making process of UNIDO should be narrowed to a reduced number of decisions closely connected to the basic mandate of the Organization. Political decisions should be well prepared in advance so that the gap between the plenary debate and decision making could be reduced. Other delegations announced their wish that issues closely related to international economic cooperation should remain the subject of the decision-making procedure of UNIDO.

35. An essential element of increasing the quality of work of UNIDO is the more active involvement of national governmental bodies dealing with the Organization and, if it is appropriate, the establishment or better functioning of a coordination mechanism between national Governments and UNIDO.

Annex

LIST OF ORAL AND WRITTEN STATEMENTS OF MEMBER STATES AND UNIDO DOCUMENTS CONSIDERED BY THE PRESIDENT

1. "A future UNIDO, A study on UNIDO's Comparative Advantages, Areas of Concentration, Organization and Resources", prepared by COWIconsult and Royal Danish Embassy and United Nations Mission, Vienna, November 1992.

2. Medium-term plan, 1994-1999 (IDB.10/5), to be approved by the fifth session of the General Conference, December 1993.

3. Priorities within the medium-term plan, 1994-1999. Report by the Chairman of the Programme and Budget Committee, H. E. Mr. G. E. Clark (United Kingdom of Great Britain and Northern Ireland) (IDB.10/29).

4. UNIDO's reform and the future of the Organization, Swiss position paper, 11 March 1993.

5. Programme and budgets, 1994-1995 - Proposals of the Director-General, 11 March 1993 (IDB.11/2).

6. Programme presented by the candidates for the post of Director-General of UNIDO with special regard to the proposals of Mr. Mauricio de Maria y Campos, elected Director-General, 19 March 1993.

7. Annual Report of UNIDO, 1992, 8 April 1993 (IDB.11/10).

8. UNIDO's future and reform in a changing world, discussion paper of France, 8 April 1993.

9. Non-paper of the Netherlands and Denmark circulated by the President of the Industrial Development Board for discussion, April 1993.

10. Statement of the Mexican delegation at the informal consultations on relative priorities of the medium-term plan, held on 15 and 16 April 1993.

11. Statement made by the Russian representative on 15 May 1993.

12. Statement of the representative of Poland, 16 April 1993.

13. Statements of Mr. Mauricio de Maria y Campos, Director-General, to the staff of UNIDO, 2 April 1993, and to the Programme and Budget Committee, 26 April 1993.

14. UNIDO priorities for the future, non-paper by India, 8 April 1993.

15. Future UNIDO - African perspectives, 29 April 1993.

16. Considerations on the restructuring and revitalization of UNIDO: GRULAC non-paper, 10 May 1993.

17. UNIDO reform, non-paper by Japan, 7 June 1993.

18. Relative priorities of the medium-term plan, 1994-1999, non-paper by Mexico, 8 June 1993.

19. Position paper of the Czech Republic on relative priorities of UNIDO, 8 June 1993.

20. General Assembly resolution 47/153, Industrial development cooperation.

21. General Assembly resolution 47/175, Impact of the recent evolution of the economies in transition on the growth of the world economy, in particular on the economic growth and development of the developing countries, as well as on international economic cooperation.

22. General Assembly resolution 47/187, Integration of the economies in transition into the world economy.